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US energy policy

FRANK G. ZARB

The intense national debate in the United States on the subject of energy policy and its international implications is generating a set of difficult compromise decisions.

HE embargo and oil price increases of 1973 and 1974 caused great con-
ısion and uncertainty in the United States and other industrial coun-
ies. Based on a too optimistic evaluation of US resources and the costs
' developing them, the initial reaction of many Americans was to seek
ısulation from the threat by total self-reliance on energy. A goal was
:t of zero energy imports by 1980, the original concept of 'Project
ıdependence.'

When the embargo ended without a total economic collapse in the
.dustrial world, we had a chance to look at our energy problem with a
ore critical eye. An early task of the Federal Energy Administration was
› examine in depth the meaning and implications of United States
ıergy self-sufficiency. We found the problem a difficult one. It was clear,
ɔwever, that a policy of zero imports by 1980 or even by 1985 might well
.flict more economic damage on the United States than the possible
ıpply interruption the policy was designed to prevent. It was equally
ear that a continuation of existing trends in energy production and
ɔnsumption would lead to an import dependence which could severely
ıreaten the national security of the United States. This question of
:curity quickly became central to our thinking on energy.

Prior to 1973, energy supply was considered the responsibility of the
rivate sector. The private international oil system consisted of numerous
ıajor oil companies which had developed over many years the capa-
ility to locate, produce, transport, refine, and market the truly enormous
nounts of energy demanded by the world. The private companies
ısured the industrial markets of the world a continuous supply of energy
. relatively low cost. Only a few observers foresaw the changes which
ere to take place.

In 1973, the governments of the oil-producing countries demonstrated
ıat they were acquiring the expertise and the internal cohesion necessary

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The Hon. Frank G. Zarb served as Assistant Secretary of Labour and in the
ffice of Management and Budget before his appointment as Director of the US
ederal Energy Administration in December 1974. This article is based on a talk
ven at Chatham House on 1 December 1975.

to assert effective control over their industries. The changes in price and the distribution of profit were important, and we have all felt their effects. The more basic and lasting change, however, was a change in the criteria by which decisions on oil are made. Petroleum production, price, and supply are now determined on the basis of the complex political, social, and economic national aspirations of the petroleum-producing countries. The events of recent years have demonstrated the role played by Middle East politics in the international oil system. We can expect that economic and social development problems, internal and external politics will cause the petroleum policies of the producing countries to remain distinct from the energy requirements of the industrial nations.

Energy supply security has thus become a basic concern of government in its domestic and foreign policies. This is not to say that governments had not been active before in the international petroleum system. The British and American Governments, as well as those of other industria' countries, played an important role in the history of the Middle East. Th interests of the private companies, however, were generally considere parallel although not identical to the interests of the consuming coun tries. The companies were thus relied on as the major actors in the systen and served as a link between producer and consumer governments. W can now expect the interests of the companies to become even more com plex, as they strive to maintain their position in a system in which thei assets and crude supplies are hostage to the producing states.[1] In thi sense, governments alone can define and assure supply security.

Reasons for Opec's success

The new petroleum world in which we find ourselves has several un settling features. A number of countries which should be classified a weak by traditional criteria are able to make demand after demand whicl the industrial countries seem powerless to resist. Traditional relation ships between industrial and under-developed countries no longer seen applicable. It is vital that we come to understand the new internationa supply system and develop the proper approaches, programmes, an policies necessary to deal adequately with it. I cannot, of course, provid all the answers, but I would like to present a few thoughts on the subjec in the hope that we can obtain some insights into our common energ problems.

My *first* observation concerns the contrast between the current solidar ity of the producing countries and the need to develop similar solidarity— despite often diverse interests and resource endowments—among th consuming countries. Any national or international energy programm

[1] On the new role of the oil companies see Sheikh Ahmed Zaki Yamani, 'Oil towards a new producer-consumer relationship', *The World Today*, Novembe 1974.

must be based on a clear understanding of the reasons for and solutions to this situation.

Many observers, including leading periodicals such as the *Wall Street Journal*, have argued vociferously that Opec could not hold together as a producing organization. As world demand contracted, it was reasoned, competition for shrinking markets would force prices to the breaking point. In fact, Opec has actually been able to raise prices by 10 per cent for the fourth quarter of this year in the face of relatively low world demand.[2] Increases in world demand with economic recovery may well strengthen Opec's market position and ability to sustain and increase oil prices.

The remarkable success of Opec is largely a result of the unique character of its membership. Opec includes, on the one hand, countries with large populations and financial needs such as Nigeria, Indonesia, and Algeria, and, on the other hand, countries such as Saudi Arabia, Kuwait, and the United Arab Emirates with small populations and large financial surpluses. If we examine the distribution of petroleum production capacity and undeveloped petroleum resources, we find that by far the bulk of unused production and potential production lies in the countries of the Persian Gulf, the area of predominantly low population. In other words, the countries with large revenue needs do not have the petroleum resources necessary to expand production substantially above current levels. Opec is able to maintain its price because the countries which might be tempted to cheat on the cartel cannot do so, while the countries which are able to cheat have no incentive to do so.

At the very heart of Opec is Saudi Arabia. Saudi Arabia currently possesses 23 per cent of proven world petroleum reserves and 35 per cent of proven Opec reserves. Current Opec production capacity is 37·5 million barrels per day, of which 10·8 or 29 per cent is in Saudi Arabia. The undeveloped resource potential in Saudi Arabia is so great that we can expect a continued increase in productive capacity over the next several years at least, to perhaps 15 or even 20 million barrels per day by the 1980s. Saudi Arabia may soon be in a position to offset production cuts or increases by any other combination of Opec countries. The willingness of Saudi Arabia to set her price and allow production to vary with demand is crucial to Opec's success.

Another element is the improved flexibility in Opec's pricing system. During 1973 and 1974, Opec raised oil prices through the agreement of its members to raise the various components of price, such as royalties, posted prices, taxes, and government ownership, in unison. For example, in October 1973, posted prices, the prices used for tax reference, were raised to about $5 per barrel. In December 1973, they were raised to

[2] Opec's continued success in achieving its objectives is emphasized by Peter R. Odell in 'The world of oil power in 1975', *The World Today*, July 1975.

about $11. In June 1974, the royalty rate was raised from 12·5 per cent to 14·5 per cent, and so on. Since Opec decisions did not adequately reflect market quality and transportation differentials, one result of this process was a change in the relative prices of oil from the various producing countries and loss by some countries of market share. It was difficult for a country to adjust its price without violating the rigid Opec pricing formula.

In December 1974, a new pricing system was instituted. The government revenue to be derived from Arabian light crude is set each quarter. Each country then adopts a mixture of tax, royalty, and other price policies at its own discretion to arrive at a comparable price which reflects geographic and quality differences. This system allows more flexibility. A country can easily vary its price by 40 or 50 cents per barrel to assure its competitiveness. Price shaving is thus hidden in the complexity of the pricing structure. The market shares of the member countries are thus easily adjusted by shifting production cuts to the major Persian Gulf countries which are less concerned with production levels. Opec has in fact instituted an automatic prorationing system.

Consumers' differing priorities

While the new international energy system has brought unprecedented financial and political successes to the Opec countries, it has presented the consuming nations with a difficult set of problems. The major industrial states have much in common. We share the need for secure and adequate supplies of energy, and we all have some degree of dependence on Opec sources of petroleum, with Europe and Japan critically dependent upon Middle East sources.

There are, however, differences in our approaches to current energy problems which must be understood and taken into consideration as we work to strengthen the solidarity of the consumer group.

The clearest and most important difference is in energy resource endowment. The United States imports approximately 40 per cent of petroleum requirements accounting for about 15 per cent of total energy needs. We have vast resources of coal and shale and substantial amounts of conventional petroleum, uranium, and other energy sources yet untapped. The United States is thus equipped to consider the concept of energy self-sufficiency as an option. At the other extreme is Japan with negligible amounts of petroleum, natural gas, coal, and uranium. Japan can vary her level of energy consumption and the structure of her import dependence, but must continue to rely on foreign sources for almost her entire energy supply. Great Britain currently imports almost all of her petroleum requirements, but may in a few years be a net oil exporter when the North Sea is developed. The Netherlands has substantial reserves of natural gas, and so on.

The views of the consuming countries on energy conservation also

vary. Each country has its own set of economic and social priorities, its own government regulatory philosophy, its own internal balance of energy sources, and its own environmental problems and views. In short, each country has its own views on the meaning and costs of energy conservation. In the United States, for example, great attention has been paid to the automobile industry and the need to increase fuel economy. This problem is of an entirely different nature in Europe and Japan, where smaller cars have predominated for many years.

The consumer countries also show differences in foreign policy outlooks. As regards the United States, the politics of the Middle East and the central role of America in seeking a long-term settlement in that area have made her the focus of Arab hostility and the major target of the 'oil weapon'. This fact has been central to US thinking on energy. Some other industrial countries have less direct involvement in Middle East politics and thus may see little of importance to them in that area beyond energy. All consumers, however, are under continual pressure by some petroleum-producing countries to adopt certain policy positions with regard to Israel and the Palestinians and all suffered the effects of the embargo and supply cutbacks of 1973 and 1974. US Middle East policy thus has a direct effect on the energy positions of all other consuming countries. The operation of the European Economic Community, Japanese relations with the USSR, the People's Republic of China and other Asian countries, the complex set of individual relationships between producer and consumer countries all contribute to the difference in national interest and outlook of the consuming countries.

It has been easy to assume that consumer solidarity is a simple matter. We all suffer from high prices, fear of production cutbacks and other problems resulting from producer government actions. A truly effective international effort by the consumer countries must be based on a detailed understanding of our differences, as well as our similarities.

The IEA's vital function

The establishment of the International Energy Agency (IEA) in Paris represents in my view an important step by key consumer countries to develop a co-operative approach to energy issues. Initiatives in, and support for, the programmes of the IEA are a key element of United States international energy policy. The programme of long-term co-operation now in the final stages of elaboration in the IEA constitutes an essential step in our efforts to meet the energy challenge. This long-term programme will establish a number of areas of important co-operation in the reduction of our overall dependence on imported oil through conservation and the development of new supplies. It will provide, moreover, a framework within which we can tie together and reinforce our national energy programmes.

We also intend to play an active and constructive role in the producer–

consumer dialogue now getting under way. US initiatives in more general international groups, such as Secretary of State Kissinger's recent proposals in the United Nations Special Session, can be supportive of our international energy policy.

A major unifying element in the consumer country programme must be an effective United States energy policy. The physical, technological, economic, and political resources of the United States and the magnitude of US energy consumption place the United States among the leaders of the industrial countries. It has been clear to us from the beginning that if the United States cannot master its own energy problem or if the United States attempts to opt out of the world energy system, no effective consumer strategy may be possible. The most likely result of such a situation would be a headlong race by the major industrial countries to reach bilateral accords with oil-producing countries. Such an unfortunate eventuality would not be conducive to international economic and political prosperity or even peace.

Understandably the leaders of other industrial countries have been following the US debate on energy with some trepidation. It is vital, however, to understand the nature of that debate and to be aware of what has been decided and what remains to be decided. In essence, the debate on energy in the United States centres on means rather than ends. Over the past year and a half, we have reached a broad consensus on the major aspects of the nature of the problem. Most people in the United States realize the need to assure adequate and secure long-term supplies of energy. We understand the domestic potential of the United States and, perhaps most importantly, the international dimension of our energy situation. We have yet to agree on the means to these ends, on the proper domestic pricing policy, the proper balance of private and public sector activity, and other related questions.

In the United States, both the public sector and the private sector have undertaken massive research and investment programmes to develop new and existing US energy resources. The present decline in US domestic energy production reflects not a lack of investment, but the long lead time—of the order of ten years—required to bring new technologies and new production through existing technologies on-stream. Our difficulty in defining our domestic production goals and their time horizons stems from constant escalation of cost and development time estimates for new US energy sources. The programmes continue in spite of these difficulties, and we expect substantial successes by 1985.

In addition to the development of US resource potential and consumer country co-operation, an effective US energy programme must have two elements. First, the stabilization of domestic pricing policy and the eventual removal of price controls from domestic petroleum. Secondly, the development of a strategic petroleum storage capability of up to

one billion barrels must be undertaken. Such a capability would greatly improve the ability of the United States to resist the pressures of a supply curtailment. I underline these particular features of US energy policy to illustrate a point: although the US has far to go in developing national energy programmes, the international dimension, and the views and requirements of other industrial consumer countries, are an integral part of our thinking and our actions on energy. We can expect that the US energy debate will generate a difficult series of compromise decisions. I can predict, however, that the energy decisions of the United States Government will reflect the need for an active American role in the international arena.

These remarks are not intended to imply that the development of effective consumer nation co-operation is an easy matter or that present and future US energy programmes will be sufficient for that end. There is now, however, a firm basis for that co-operation which must be encouraged. If each country can consider, define, and articulate its own views on the security of energy supply, then we can jointly develop a real understanding of the new international energy system and of our divergent as well as common interests.

The evolution of the international petroleum system and the response of the industrial countries to it will exert a major influence on future trade in non-energy commodities. We are already seeing attempts by producers of bauxite, copper, iron ore and other commodities to form producer organizations on the Opec model. Although the success of Opec is based on the unique features I outlined earlier, we can expect that the producers of other commodities will attempt to command higher prices through the restriction of production. Either on a general basis, or commodity-by-commodity, the consuming countries will show a different set of common and divergent interests which must be managed. It is thus doubly important that we succeed in regard to petroleum.

The civil war in Lebanon

FRANK STOAKES

NOT long ago Lebanon was offering her highly sectarian political system as a model for Ulster; today, after months of civil war, the Lebanese state is in eclipse, the economy paralysed and society disintegrating. The conflict originated in simple clashes between Palestine guerrillas and the principal Lebanese political party, but the fundamental causes are more complex: a set of mutually reinforcing cleavages, created or intensified by external factors and the pressure of domestic change, and tending finally to merge in a single comprehensive hostility between Christians and Muslims.

Lebanon, a small country of some three million, contains six major and twice as many minor sects, each a distinct social and political entity. It needs little to revive old animosities between them and to turn their warily amicable relations into hostility between the sects of the major religions and ultimately between the religions themselves. A second cleavage, the ideological, has coincided readily with confessionalism. The existing Lebanese state is an artifact, and its dominant sects, the Maronite (Catholic) Christians and Sunni Muslims, have conceived it in different terms: the Maronites as vigorously independent but leaning to the Western world, the Sunnis as part of the Muslim Arab world and potentially of a Muslim Arab political organization; these attitudes will be termed respectively 'Lebanism' and 'Arabism'. Other sects have viewed the issue in less positive and more secular terms, but for Maronites and Sunnis the discordance tends to maintain, intensify and resurrect confessional cleavage.

Without a formula of compromise no unitary state would have been possible within present boundaries; and when the French Mandate effectively ended in 1943 a formula was found. Both the sovereign independence of Lebanon and her special relationship with other Arab countries were admitted; and, in addition, parliamentary seats, high political office and positions in the administration were to be allotted to the sects in proportion to their numbers. This favoured the Christians slightly on all counts; in particular, they held the Presidency as against the Sunni Premiership. This dispensation located routine political rivalry within rather than between the sects.

The writer is Senior Lecturer in Government at Manchester University where he jointly directed a research programme, supported by the Social Science Research Council, on social and political change in Lebanon; his own contribution was a study of the Lebanese Kataeb Party.

Government thus constructed was designed to symbolize fair allocation rather than to act, and was often immobilized in its respect for sectarian balances and susceptibilities; but unofficial institutions ensured that the commonest public demands were met. A system of patron–client networks underlay and was informally connected with the parliamentary, ministerial and state machinery. Clients voted patrons—local leaders—to Parliament and patrons used the influence thus acquired to provide personal or community services. Thus material demands were satisfied without embarrassment to the delicately poised government, and as long as sectarian sentiments were not provoked the system remained remarkably stable.

The danger, however, lay dormant and could readily be awakened by almost any event, domestic or external. In 1958 Arabism, inflamed by President Nasser's successes and by a feeling that President Chamoun of Lebanon was cheating in the political game—and particularly as played among local leaders—led to a civil war which initially cut across sectarian divisions but ended typically as a confrontation of Christians with Muslims and Druzes (the last are a heterodox Muslim sect which, in the agreed political allocation, are included with the Muslims). The Government lost control; and the army, for fear of its splitting, could be used only to contain the fighting. However, reasonable order and normality were maintained over much of the country by the local leaders, though it is doubtful whether major hostilities would have ceased without the American intervention.

Social and economic factors

Since 1958 new stresses and strands of ideology have appeared to reinforce the sectarian bases of conflict. These spring partly from a deeper and more conscious division between haves and have-nots, caused by uneven economic development, by weak, divided and self-interested government, by reforms initiated and left unfinished, and by debilitation of the clientelist networks. These networks could not in any case meet more numerous and sophisticated demands; and the services they could offer were less readily available to villagers who migrated to the towns or to new economic and social groups which did not fall easily within the traditional relationship. Shi'i Muslim peasants in the south and Sunni Muslim peasants in the extreme north had long suffered from exigent landlords of their own religion; now new categories of manual and clerical underprivileged were added in the towns, and all were potential materials for the missionaries of new leftist movements. But because Christians, better educated and longer established in a modern economy, have tended to prosper more from development, the poorer Muslims were likely to identify class with confessional antipathies. This identification was not discouraged by the widening stratum of wealthy Muslims. These,

as the existing system was challenged at the base, began to reinforce it at the top, to consolidate an inter-denominational Establishment, and to become scarcely less Lebanist than the Christians; but the pressure of their own communities, and of their following in those communities, inclined them to soft-pedal these sentiments and to uphold Arabist and even radical causes.

In this atmosphere of growing resentment, leftist groups, previously small and under pressure, have within the last decade increased in number, size, organization, power and audacity. Muslim leaders hesitated to oppose them and the maverick Druze politician and ideologue Kamal Jumblatt, most baronial member of the Establishment, protected them and promoted their cohesion. Direct Soviet encouragement is unproven, though plausible in view of Moscow's disappointments elsewhere in the Middle East, but the activity of professional *revolutionaries*, collaborating with pro-Soviet Arab governments, is confirmed. An important feature has been the evolution of the large but neglected Shi'i community, exposed to constant Israeli raiding. Infiltrated by militant Communism, it was also offered leadership and organization by its energetic spiritual head, the Imam Musa Sadr; but, failing to consolidate an independent pole of attraction, he has followed somewhat passively in the Communist wake.

Demographic as well as economic factors have promoted sectarian friction. The agreement of 1943, the keystone of confessional co-operation, has fallen under attack because it enshrines an allocation of political influence which is almost certainly unjustified by fact; Muslims claim to have become more numerous than the Christians and there are demands for readjustment, not least in the confession of the President.

The Palestinian dimension

The most powerful irritant, however, has been an extraneous element, the Palestine Resistance. Palestinian refugees, now some 300,000 and mainly Muslim, first entered Lebanon in 1948 and were never personally welcome, though Sunnis and other Arab nationalists overtly supported their cause and considered them a useful counter in the Lebanese confessional game. Some were integrated; the impoverished majority, with bitter resentment against the country and its system, were distributed in camps, and these, through laxity or worse, were allowed to command major strategic points. The refugees became a visible danger with the formation of the Palestine Liberation Organization (PLO) in 1964; for the PLO leadership regarded the Palestinian diaspora as a potential state in exile, eventually to be re-established on Palestinian soil, and to this, rather than the country of domicile, allegiance was owed.

In view of Muslim attitudes the Lebanese Government could not control the camps effectively, even when it possessed the physical means

and even when guerrilla activity brought increasingly heavy Israeli reprisals. After the war of June 1967, Arabist aspirations focused on the PLO (and leftist aspirations on its radical groups) and accorded it high legitimacy; Arab and other governments nourished and armed it; and Lebanon, like Jordan, began to fear colonization from a military state within a state. Added sources of anxiety were the association of Lebanese leftists organizations with the Palestinians, who offered them the armed force they had previously lacked, the connexion of the guerrillas with Communist and unfriendly Arab governments, and the failure of PLO leaders to restrain terrorist and leftist guerrilla groups.

Subsequent attempts at control were unsuccessful. In 1969, when Lebanese supporters of the PLO clashed with state forces and there was an armed invasion of Palestinians from Syria, the Government was forced to assign virtual sovereignty to the camps and an area of southern Lebanon to guerrilla control. In 1970–1 Jordan mastered a similar threat, but when a new Lebanese President, Suleiman Frangieh, took armed action against a limited guerrilla rising in 1973, he was compelled under pressure to desist. Meanwhile the PLO was gaining wide international support and recognition, from the Arab League, the United Nations and the Islamic states, and becoming correspondingly self-assertive in Lebanon. When a unified military and political command was announced between the PLO and Syria in March 1975, Lebanists were thoroughly alarmed.

In February 1975 the Lebanese Government suffered another setback in an incident at the southern port of Sidon; the army had attempted, with loss of civilian life, to contain a demonstration of economic protest. The confrontation confirmed Palestinian guerrilla support for the Lebanese Left, and was so exploited by propaganda as to make the army temporarily unusable against internal disorder or the Palestinian presence. This development, added to existing factors—Lebanese fear of uncontrollable Palestinian power and the PLO's fear of losing its one sovereign base—led directly to the civil war of 1975, which the clashes of 13 April merely detonated.

The role of the Kataeb Party

It was during this tense period that the Lebanese Kataeb Party moved still more conspicuously to the position of organizer, strategist and main defender of the Lebanist cause. Founded in 1936 as the *Phalanges libanaises*, it has since discarded this name and is not of the extreme-right fascist complexion that is often attributed to it.[1] The party has become the largest (60,000), most modern, best organized political group in

[1] For a more detailed account of the nature, aims and military strategy of this party, see the writer's 'The supervigilantes: the Lebanese Kataeb Party as a builder, surrogate and defender of the state' in *Middle Eastern Studies*, October 1975.

Lebanon; moreover, in a country where any considerable party or local leader maintains an armed militia, the Kataeb army is second only to the combined guerrillas in fighting strength. In practice the party is overwhelmingly Christian and mainly Maronite in membership, but in principle it is supraconfessional and, when feasible, anxious to transform political confessionalism into a system of modern parties based on principle. The focus of its loyalty is Lebanon as a country and the Lebanese system of democracy and free enterprise, modified by development and reform which it has planned in coherent detail and to some extent (especially in the spheres of social welfare and the rights of labour) helped to realize. It is, in fact, the spearhead of reformist Lebanism.

For several years the Kataeb, while still pressing reform upon a largely immobilist government, have been exercised by the growing power and pretensions of the Palestinian guerrillas and by the growing organization of their allies and military clients, the Lebanese Left; against both of these, from the beginning of 1975, they intensified their propaganda. While preferring governmental initiative and ready to place their own resources at the state's disposal, they have been prepared, in the last resort, to take independent action with their allies, in the hope that the state would be drawn in on their side or at the worst remain neutral. With the Sidon incident the necessity—and perhaps last chance—of action seemed at hand. For their part the guerrillas, with their indispensable base at risk and their extremists perturbed at the progress towards an Egyptian–Israeli agreement, stood ready to anticipate such action. There was on both sides an interest in reaching an unambiguous decision as soon as an opportunity arose.

The hostilities

On 13 April Palestinians outside PLO control made an attack, small but of a particularly insulting character, on the Kataeb, who in turn killed the passengers, mainly Palestinian, of a bus. The Palestinians claimed that these were unarmed civilians, the Kataeb that they were armed guerrillas intent on renewing the attack. Both sides took these events as the signal to commence hostilities.

The subsequent war has fallen into four rounds, extending roughly from 13 to 21 April, 19 May to 10 June, 23 June to 3 July, and 24 August to 31 October, with intermittent renewals thereafter. The first three rounds involved primarily Beirut and its suburbs, with minor clashes elsewhere; the fourth began with fierce fighting in Zahle (in central Lebanon), spread at the beginning of September to the northern port of Tripoli and its environs, and did not involve Beirut seriously until mid-September. Since then Beirut has remained the centre of battle, though there have been intermittent clashes in Zahle and the Tripoli area (particularly between Muslim Tripoli and Christian Zgharta) and in the

northern plain of Akkar. In the provinces fighting has tended to follow lines of religion, clientelist networks, and hostility between villages, town quarters and factions or gangs; these divisions have often reinforced one another and tended to submerge the ideological confrontation between Lebanism and the Palestinian-leftist alliance.

It is in Beirut and its suburbs, however, that ideological and major political issues have been fought out, though not to the exclusion of the other factors mentioned above. Combatants have changed with the rounds of the conflict. The first round began as a clash between the Kataeb and Palestinians of the so-called Rejection Front, which challenges the policies of the official PLO leadership and is absolutely opposed to political dealings or agreements with Israel.[2] The PLO leadership had at that point no option but to enter the conflict, if it was to maintain its position against rivals or—as far as could then be seen—the Palestinian presence as a whole. The Palestinians were joined by armed leftists, mainly Communists and the Ba'th Party (Arabist, Socialist, and supranational, split into Syrian and Iraqi factions); and the Kataeb by the militia of ex-President Chamoun's National Liberal Party and other nationalists.

In the second round, the official PLO withdrew to act as mediator. The Palestinian presence could clearly be protected by the Lebanese Left with an informal but massive stiffening of guerrillas, mainly Rejectionists; warfare could prejudice the diplomatic and military position of the PLO, not least by provoking an Israeli assault. Henceforth, until mid-October, the war was conducted formally between proliferating Lebanese militias, distinguishable roughly as Lebanist-Christian (grouped round the Kataeb) and leftist-Muslim, although some of the most active in the latter camp were non- or anti-Maronite Christians.

The leftists were joined in the third round by Shi'is organized by Communists[3] or by Musa Sadr. In the same round another tendency was established: the failure of militia commanders to control their men, and the appearance of independent groups and individuals, some of them mercenaries, criminals or *agents provocateurs* and all of them—together with trigger-happy militiamen and the self-generating momentum of violence—a threat to the series of ceasefires agreed by the protagonists.

A pattern of conflict was established with the second round, involving snipers, exchanges of fire from light or heavy weapons between more or less static units, mobile bomb and arson squads, and extensive kidnapnapping and murder. In the second half of October a war of limited movement began, with systematic invasion and occupation of neutral areas of Beirut, for strategic purposes—hence the battle of the skyscrapers

[2] For background see Pierre Rondot, 'Palestine: peace talks and militancy', *The World Today*, September 1974.

[3] In recent years the Communists, although divided, have greatly increased their activity.

—or partly, perhaps, against the possibility of partition. At this point Palestinian forces, including supporters of the PLO leadership, became more active, in co-operation with the Left.

Apart from the heavy loss of life, it is to the Lebanese economy that material damage is most apparent. Destruction and sniping have paralysed business—as practically all life—in the capital, interrupted communications, threatened the movement even of necessities about the country and dislocated the working of Beirut Port. Of longer-term importance is the damage to foreign confidence and therefore to investment and the role of Beirut as a major financial and organizational centre in a period of Middle Eastern expansion. Foreign businessmen are already withdrawing or looking for a replacement in Cairo, Amman, Athens, Tehran, or the Gulf. This deterioration is a defeat for Lebanism and an end welcomed and perhaps sought by extremists of the Lebanese and Palestinian Left.

The political problem is graver still. The Lebanese state was never robust and has been paralysed and fragmented before. In periods of calm, Lebanese society has managed to cohere and progress through its own networks; these, in 1958, held the system together, despite the weakness of government. In 1975 the Government has proved even weaker and the army still less adequate—it is one militia among many and not used effectively even to separate the combatants except in the Tripoli area; but, still more serious, a number of underlying networks have not survived. Many Christian leaders and communities, especially of Mount Lebanon ('the Mountain'), have maintained control under the protection of their militias; but Muslim leaders have largely lost their authority to armed leftist groups and their Palestinian guerrilla backers, as in Tripoli, Sidon, the central plain of Bekaa and many Muslim quarters of Beirut. When peace is ultimately restored, it will be hard for Lebanist parliamentarians, supported by an evolving but still traditionally-rooted network, to collaborate with the revolutionary Left which now controls much of the country outside the Mountain, and to tolerate its backing for the more uncompromising Palestinian groups.

Attempts at mediation

If the war continues it is not for lack of mediation. The population has not yet polarized into zealots. Christian and Muslim leaders, religious and political, have tried their hands; after a weak civilian cabinet and a constitutional but execrated army one had failed, the widely accepted Rashid Karami has negotiated competently from his position as Premier; Yasser Arafat, head of the PLO and with much at stake, has been indefatigable, trying to keep guerrilla participation limited and reasonably discreet and acting as go-between with the Syrian Government.

The Syrians are the only Arab government to play an open and con-

tinuous part in the crisis. This has been ambivalent at times but on the whole conciliatory. If Lebanon were obviously dominated by Syria or the guerrillas, or so disrupted as to accord the Palestinians full freedom of action, an Israeli invasion of south Lebanon would be threatened, to Syria's strategic cost, and perhaps even Israeli action against Syria; nor does Syria want to complicate her Arab relations further by military involvement. Her mediation is likely to favour the Muslims of Lebanon, to whose advantage the war seems in any case likely to work, though not necessarily to favour the Left, despite her Ba'thist government. It is notable that most of the high-level mediation is being conducted by Muslims—Karami, Arafat, and—the centre of power—the Syrian Government; President Frangieh has lost his authority and the other Christian leaders are only domestically in evidence. Moreover, in Tripoli and elsewhere peace-keeping patrols have been manned jointly by Lebanese security forces and by Palestinian guerrillas, including members of the Syrian-controlled Sa'iqa. There is less open and benevolent intervention from Libya and Iraq, who are providing the Palestinians and the Left respectively with money, arms and possibly men; Lebanists would add the Soviet Union to the list of suppliers, while the Left credits the Lebanists with similar support from the United States or Israel. Saudi Arabia and Kuwait, though well-disposed to Lebanon and hostile to the Left, are also financing the Palestinians. Saudi Arabia and Egypt, both prompted by their present interests and Arab alignments, have criticized Arab intervention in Lebanese affairs. Egypt wants nothing to upset her improving relations with Israel and is on cool terms with Palestine, Syria and Libya alike. The Ba'thist governments of Iraq and Syria are mutually hostile. Arab disputes are often conducted in a third, weaker country: now, as often in the past, that country is Lebanon. Not surprisingly, the Arab League, as a body, has failed to produce a settlement; nor has M. Couve de Murville been more successful in his attempt, with Christian support, to counterbalance Syrian mediation.

Except to produce temporary ceasefires, mediation and negotiation have in fact achieved little. There has been no firm agreement over the use of the army, which Muslims consider biased against them, despite reforms introduced in September. A Lebanese 'Committee of National Dialogue' was also set up in September, to elaborate a programme of reform as a basis for present and future peace; but there has been no agreement even on whether reform must precede or (as the Lebanists insist) follow a cessation of hostilities. Both Cabinet and Committee share a conspicuous feature: the former consists entirely and the latter very considerably of seasoned or younger members of the Establishment, who, whatever their confession, have more in common with one another than with the Left. The same is true of Yasser Arafat, now almost of the Establishment himself. Left to themselves, these men could no doubt produce a formula

for improved sectarian relations and for Lebanese and Palestinian co-existence; hardly any demands have been voiced which are not envisaged in the long-term programme of the Kataeb. But the Lebanists are reluctant to make concessions with the speed which the others—from conviction or under pressure—require; and even so it is unlikely that any agreement they reach would long remain acceptable to the Lebanese and Palestinian Left, whom they only marginally represent and who have now, perhaps permanently, established themselves in Lebanese politics.

If revolution might be forestalled by a Kataeb-type programme of reform, it is tempting to think that Lebanon's Palestinian problem might be met by the creation of a Palestinian state on the West Bank. The solution does not, however, follow automatically. The bulk of the refugees in Lebanon are from Galilee and might find no place in the new state; the uncompromising groups might be averse—or prevented—from moving to it; and circumstances of guerrilla rivalry might tend to keep militant groups on Lebanese soil. Some foreseeable Arab and Palestinian conjunctions might then favour Lebanese control of this militant remnant, others not; the alternative of integrating Palestinians is as distasteful as ever to Christian and Lebanist Lebanon and far more dangerous than before.

Partition?

One possible solution, of which there is yet no sign, is a trans-confessional military coup and another a compelling extension of Sharif Akhawi's peace movement. More widely discussed is the possibility of partition. This could hardly avoid a confessional basis and would affront Lebanese of modern, secular outlook and, for different reasons, a number of other elements; the form it might take, multiple or binary, of independent, federated or confederated units, is a question baffling in the abstract but perhaps self-resolving if the necessity arose. Apart from de facto control by Lebanist or by Palestinian and leftist forces, if war continues spontaneous partition will tend to occur through prudence or panic; a movement to safer zones has already begun in Beirut, in the Tripoli area, in Koura south of Tripoli, and elsewhere. Carried considerably further, these moves could facilitate United Nations or—less acceptable to Christians and Lebanists—Arab League peace-keeping. The identity of the resulting territorial units would also be determined more readily by fact than by speculation, a most important factor being the outcome of the fighting in Beirut and the area the Lebanists can succeed in holding there.

Conversely, the possibility or threat of partition is a lever in negotiation which might obviate the need for partition itself. It is a lever for Lebanists and, should they be outgunned, perhaps the only one—failing outside intervention—they have. The Muslims and Palestinians want no division,

less, it might be supposed, in acknowledgment of what Lebanon owes to Christian enterprise than from fear of what Israel might do to a mini-state under Palestinian domination and Syrian tutelage and from Muslim reluctance to accept a state so controlled. The Lebanists, moreover, are capable of imposing partition. Even if they withdraw their forces from Beirut, vacating the Christian quarters or leaving them undefended, they could still hold much of the Mountain, provided the army remained neutral and permitted access to the ports lying north of Beirut—Jounieh, Jbeil and Batroun; if they retained their traditional area in East Beirut, which commands Beirut Port, their lever would be the stronger. They might admittedly prefer to acquiesce in an unfavourable agreement rather than abandon their territory in the capital; but the point of decision has not yet arrived. So far the Lebanists, a more united front, have held their own, without army support, against leftist and dissident or unofficial Palestinian forces. As Palestinians join battle in greater numbers, the Lebanists are coming under pressure; and they could hardly contain a mass Palestinian assault, especially if reinforced by Palestinians in Syria and by troops of the Syrian army. On the other hand, fear of Israeli reaction might discourage such intervention, even if it were contemplated.

The most obvious outcome, in the light of Lebanese precedent, is still an agreement reached with outside encouragement, involving Christian concessions and national development and reform, approved by the Establishment, by the official PLO, and by the Syrian Government rather than by the Left, implemented slowly and haltingly, and leading to a bloodier outbreak in the future.

After the Bangladesh coups

STEPHEN OREN

THE overthrow and murder of Sheikh Mujibur Rahman, generally known as Sheikh Mujib, by disaffected army officers was but the most dramatic of the three coups that took place in Bangladesh in 1975. Sheikh Mujib's suspension of democratic government in January, his downfall in August, and the week of turmoil in November from which General Ziaur Rahman emerged as de facto military dictator have profoundly altered Bangladesh's political structure. But the causes and consequences of these upheavals go far beyond the 75 million people of Bangladesh. The Indo-Soviet victory of 1971 over Pakistan and her backers, the United States and China, now looks hollow. Indian hegemony in South Asia is once again threatened by Muslim unity. And since General Rahman who last November eliminated both his 'moderate' rivals, such as General Khalid Musharaf, and his 'extremist' rivals, the junior officers of the Bangladesh army, proposes to follow the same general policies, at least in regard to international affairs, as the regime of President Khondakar Mushtaque Ahmed, the trend since August may be taken as a pointer to the future.

To explain the events of last year, especially in view of Mrs Gandhi's suspension of democracy in neighbouring India[1] and Sheikh Mujib's creation of a one-party authoritarian system, one should look at both domestic and external factors. The regime that the Indian Army installed in Dacca in 1971 was intended as a reflection of New Delhi: democratic, socialist, secular, and committed to a rapid rise in living standards. The cry of Garibi Hatao (Out with Poverty) still resounded in Delhi and Sheikh Mujib promised his people economic improvement within three years. In fact, Bangladesh was less a reflection of India than a caricature of it. Bad as are India's problems of overpopulation, agricultural production, industrial growth and political stability, those of Bangladesh have been far worse. India has severe malnutrition, Bangladesh has plain starvation. India has industrial stagnation, Bangladesh lacks industry and is dependent on jute exports. India has 430 persons per square mile, Bangladesh has 1,270. India's rate of inflation has been 25 per cent per annum, Bangladesh's 40 per cent. In some areas of Bangladesh, the price

[1] See W. H. Morris-Jones, 'Whose emergency—India's or Indira's?', *The World Today*, November 1975.

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of rice, her staple food, rose by 400 per cent in the four years following independence. While none of these conditions could be blamed on Sheikh Mujib and the Awami League Government, the quite spectacular corruption, reaching all the way up to his close associates and relatives, could. The inability to re-establish stable civil administration—in contrast to the continued (if rusty) operation of the Indian civil service—because of persistent Awami League interference could also be ascribed to him.

Against this background, the August coup can be regarded as part of the Pakistani heritage. In Pakistan in the 1950s, the military had also intervened to stop corrupt and short-sighted political leaders from frittering away the assets of the nation. (Ironically, the ideological ancestors of the present Awami League leaders had been the targets of at least some of those interventions). There, too, the political leaders had made it impossible for them to be removed except by a military coup. The November coups followed a similar pattern, for the Mushtaque Ahmed regime established in August had tried to maintain Sheikh Mujib's civilian institutions (Parliament and most of the Cabinet). These have now been swept aside. While Mushtaque Ahmed was a long-time Awami League leader, the new President, Abu Mohammed Sayem, formerly Chief Justice of Bangladesh, is a non-political figurehead. The Cabinet is dominated by the military and Parliament has been abolished, although Mushtaque Ahmed's pledge to restore democracy in February 1977 has been retained. The final irony is that it was precisely such coups in Pakistan, carried out by the non-Bengali army against political leaders who represented the Bengali majority, that alienated East Bengalis.

But external causes rather than internal difficulties were probably the more significant. Ever since independence in 1971, the Bangladesh army—descended from East Pakistan units of the old Pakistan army—has been an institution without a function. For the maintainance of internal order (a role about which in any case South Asian soldiers are less than enthusiastic) Sheikh Mujib preferred to rely on various militias tied to the Awami League rather than on the army. Although Bangladesh can have but one potential external enemy, India, Mujib's whole policy was based on friendship with, not to say dependence on, India. The factional rivalries which exploded in November among General Ziaur Rahman, General Khalid Musharaf (who briefly held power during a week of turmoil) and a clique of junior officers headed by Major Dalim (now forced into Thai exile) originated in Sheikh Mujib's attempt to control the army by divide and rule tactics. But no army units ever forgot that they had fought for Bangladesh's independence while Sheikh Mujib sat in a Pakistani jail and the other Awami League leaders (including Mushtaque Ahmed) resided in Calcutta hotel suites. Under these circumstances, the army was naturally neglected, the more so as the Indians had

been careful to remove all heavy equipment of the former Pakistan army before leaving Bangladesh.

Hostility to India

Over the past four years, the Bangladesh army's growing hostility to India and its alienation from Sheikh Mujib were noted by many observers. Nor were the soldiers alone in these sentiments. Almost from the moment of Bangladesh's independence, many of her citizens accused India of exploiting their country and treating it as an Indian colony. Was it not a combination of Indian mill-owners (themselves supporters of Mrs Gandhi's Congress in India) and corrupt Awami League politicians who operated a smuggling racket whereby tons of jute were brought from Bangladesh into India to be used by Indian mills in return for shoddy Indian manufactured goods? Were not the Indians a little too self-assertive on border issues such as the demarcation of zones in the Bay of Bengal where, it is thought, oil and natural gas may be present? And Indian plans to revive the port of Calcutta by taking water from the Ganges River which would otherwise flow through Bangladesh threatened, or so people believed, part of the country with seasonal drought.

The most vociferous opposition to India came from the pro-Chinese left in Bangladesh who rallied round the aged leader of the National Awami Party (NAP), Maulana Bashani. Far from thanking India for her 1971 intervention, they argued that without it a social revolution would have taken place in Bangladesh, which would soon have found an echo in at least part of India. But many 'right-wing' people in Bangladesh, who still value Islamic symbols and regret the need to part with Pakistan, are also suspicious of the Indians. Mushtaque Ahmed was thought to have belonged to this category. But then, as the Indians have cause to observe, ever since the Sino-US rapprochement, the differences between 'right' and 'left' in much of Southern Asia have ceased to matter: however much they may disagree on internal policy, both are anti-Indian and anti-Soviet.

Indeed, the mood that led to the coup in Dacca can be found elsewhere in South Asia. India's insistence that she inherited British primacy in the area and that part of the test of her friendship with great powers was that they did not attempt to encourage other South Asian states to defy her foreign policy has not been welcome in the rest of South Asia. However important religious disagreements and the Kashmir question have been in Indo-Pakistani relations, Pakistan's insistence that she can make her own foreign friends has been an important contributing cause to hostility. And Hindu Nepal has been as insistent as Muslim Pakistan (or at times Buddhist Ceylon) in rejecting Indian efforts to establish protectorates. India's 1974 annexation of Sikkim (which, however, had never been a

fully independent state) rekindled fears of Indian expansion in Pakistan, Nepal—since most of Sikkim's inhabitants are Nepalis—and, unofficially, in Bangladesh.

Weak national identity

But reaction in Bangladesh against Sheikh Mujib and his Indian patrons went far beyond issues of Indian mistakes or Indian arrogance. Any national identity must be formed against 'another'. Once the last Pakistani forces had left Bangladesh, few reasons for anti-Pakistan sentiment remained. Bangladesh's economic troubles, especially when contrasted with Pakistan's post-1971 economic recovery, made it difficult to sustain the Awami League myth that Bangladesh was a golden land whose problems resulted from West Pakistani exploitation. For Bangladesh, as for other South Asian states, the logical 'other' was India. All the violence of the Bangladesh liberation struggle cannot conceal the inherent weakness of Bangladesh's national identity. A survey made a few years before the Pakistan-Bangladesh split showed that the vast majority of respondents named their district when asked to give their 'country',[2] while educated people identified themselves as Pakistanis rather than East Pakistanis or Bengalis.

While the military leaders are unlikely to solve most of Bangladesh's problems, they should be considerably better at giving her a national identity than Sheikh Mujib, despite his title of 'Banglabandu' (the friend of Bengal) and talk of 'Mujibism'. Did Bangladesh's distinctiveness arise, as the extreme left would argue, from Bengali language and culture? The country's name would imply that. But what then of Bangladesh's relation with the Hindu Bengali speakers of the Indian states of West Bengal and Tripura? Educated Muslim Bangladeshis tend to be ambivalent on this subject, rejoicing in the poetry of Tagore (one of whose poems is the Bangladesh national anthem) but remembering with bitterness the pre-1947 exploitation of East Bengal by the Calcutta-oriented Hindu landlords who fostered Bengali literature. The major theme of East Bengali politics from 1905 on was the need to be freed from dominance by Hindu Calcutta. This theme made East Bengal a major centre of the Pakistan movement. In any case, Sheikh Mujib could not adopt Bengali nationalism as the raison d'être of Bangladesh since it would logically lead either to incorporation in India or co-operation with secessionist revolution in West Bengal and elsewhere against India.

The Islamic heritage

Mujib's Indian mentors, with their insistence on secularism, also prevented him from using the other answer, that of Bangladesh's Islamic heritage: for even if this did not suggest that the division of 'Islamic'

[2] In Bengali the word for 'country' and 'district' is the same—'desh'.

Bangladesh from 'Islamic' Pakistan was a mistake, it pointed to a Bangladesh unlikely to look for Indian guidance.

Yet Islam is clearly the strongest force within Bangladesh. Even in the immediate aftermath of the secession from Pakistan, public pressure imposed the continuance of Koran readings on the radio and made it difficult for clubs to serve alcohol to Muslim (but not Hindu) Bangladeshis. Despite the acute problems of overpopulation, Islamic opposition also interfered with the institution of birth-control programmes. Hence it was not surprising that Major Dalim proclaimed the coup last August in the name of the 'Islamic Republic of Bangladesh'. But Islamic political forces, never well organized in East Pakistan, had been discredited by their support of Pakistan in 1970–1. Bangladesh politics were officially a contest between Sheikh Mujib's Indian-oriented secularists of the Awami League (which had once titled itself the Awami Muslim League) and the Chinese-oriented secularists of the left, even though Maulana Bashani did speak of 'Islamic Socialism' as the aim of the pro-Peking NAP. If the present military-backed regime patronizes Islamic symbols and figures it may well obtain considerable support, especially in rural areas, from people quite content to dispense with the politicians. In some country districts of Bangladesh, any government that could restore a modicum of order against bandits and self-styled guerrillas, to say nothing of the 'counter'-thugs of the Awami League, would be welcome enough.

Nor is an Islamic stance without pragmatic value for foreign-policy purposes. As Indian threats and promises have now lost much of their potency for Bangladesh, other patrons have appeared. Pakistan, after all, survived the oil price rises far more easily than India or Bangladesh: largely because of substantial aid received from Iran, Saudi Arabia and other oil-exporting states, but not least because of Pakistan's role in the Shah's vision of Iran as a great power. A Bangladesh not committed to the Indian side might also obtain some Iranian support, as Iran continues her sub rosa competition with India for leadership in the Indian Ocean area. As Pakistan's Islamic image was an important reason why she was able to obtain aid, Bangladesh's new rulers, conscious of a World Bank study which put Bangladesh's aid needs in the next generation at $16,000 m. (since independence, Bangladesh has received about $2,000 m. in aid), may well emphasize her role as the world's second-largest Islamic state. Pakistan was, in fact, the first state to recognize the post-Mujib regime. And Saudi Arabia, who always refused to deal with Sheikh Mujib, recognized his successors.

Improved relations with US and China

The Islamic world is not the only source from which Dacca's rulers hope for aid. The roots of the new Bangladesh regime go back to the days when the entire Awami League leadership (except for Sheikh

Mujib who was in a Pakistani jail) sat in Calcutta hotels. Tajuddin Ahmed (reported executed after the August coup) and others favoured India as their patron, but Mushtaque Ahmed felt the US to be the logical source of support. After all, India could not support herself, much less Bangladesh as well (if she could have, she would probably have annexed Bangladesh in 1971). As for the Soviet Union, India's patron, her attention in South Asia was naturally focused on India rather than on Bangladesh. Even the Indians, despite Mrs Gandhi's praise for the virtues of Indo-Soviet rupee trade, have discovered that Soviet generosity has limits: at a time when India is in need of capital imports, she is sustaining a net outflow of capital because of Soviet insistence that the debts of the 1971 war be repaid. In any case Soviet Russia, who must herself import large quantities of foodstuffs, is in no position to aid Bangladesh in the vital area of food. The population increase of two years requires (at starvation rates of consumption) added imported food equivalent to half the country's export earnings.

Only the United States is in a position to help. The 900,000 tons of food which the US sold Bangladesh in 1974–5 at concessional rates were a vital addition to her resources. Nor were the $67 m. given by America in other aid unappreciated. Although until now the US has given no indication that these figures will rise because of the change of regime in Dacca, Bangladesh's leaders may well hope for such increases. Certainly the US Department of Defense would not miss the Soviet naval facilities at Chittagong, which have remained since Bangladesh's independence under the pretext of port-clearing operations.

In considering new potential friends, China must be added to the odd combination of the US and the Islamic world. The Chinese openly welcomed the August 1975 coup in Bangladesh. For its part, the new regime was glad to establish relations with China, blaming the past failure to create ties on the policies of Sheikh Mujib rather than on China's support for Pakistan in 1971. And pro-Chinese groups within Bangladesh, Maulana Bashani's National Awami Party and the Communist Party (Marxist-Leninist) of Abdul Haque, hailed the coup for their own reasons.

The darker side is most evident in Delhi's view of the coup. Once more an Indian Army thinking about war with Pakistan must consider a hostile presence in its rear; once more discussions of a potential war with China must consider a Chinese thrust through Sikkim and Darjeeling to the Bangladesh border. Moreover, Maoist guerrillas in West Bengal, who may have received additions from the Indian Marxist Communist Party (CPM) since Mrs Gandhi's June takeover, as well as tribal guerrillas among the Nagas and Mizos, now have the possibility of a guerrilla sanctuary. It was no coincidence that after the August coup in Bangladesh the Indian press gave great attention to a settlement with the Nagas and Mizos. That some of these alarmist scenarios are implausible is unlikely

to restrain the Indians' imagination. Above all, although Mrs Gandhi's defence policy has kept the Indian Army happy (as Sheikh Mujib's had not the Bangladeshi) and conditions in India are much better than those in Bangladesh, the Indian Prime Minister and her associates cannot be pleased that an army in South Asia has intervened in politics to overthrow a left-of-centre reformist and dictatorial regime. When will their 15 August come? An increased reliance upon the Soviet Union (against the new Islamic-Chinese threat), increased Indian hostility to the US (which Mrs Gandhi has already linked with the opposition against her and which may yet be accused of instigating the Dacca events) and additional unwillingness to relax controls could be a logical result of the Bangladesh coups. There have, however, been contrary signs of an Indian attempt to restore good relations with the US and so prevent the polarization of South Asia.

In fact, President Mushtaque Ahmed made every effort to reassure the Indians. Once the August coup had been carried out successfully, Sheikh Mujib's name of 'People's Republic of Bangladesh' was revived, and the Ziaur Rahman regime has kept it. The ideals of 'democracy, nationalism, secularism, and socialism' were reiterated. And the Indians, while deploring Sheikh Mujib's death, insisted that they would not intervene in Bangladesh's internal affairs. The Soviet Union, on the other hand, virtually threatened Bangladesh with guerrilla warfare if she deviated from Mujib's policies. Moreover, a considerable number of Bangladeshis, including the 40,000 armed men who were the bullies of his Rakhi Bahini, still revere Sheikh Mujib's memory, as shown during the days of General Musharaf's power in Dacca when the dead leader was praised and his murderers widely denounced. Recent reports indicate that the Indians, and perhaps the Russians, have given their blessing to a guerrilla movement in northern Bangladesh. And one of the main internal emphases of both the Mushtaque Ahmed and Ziaur Rahman regimes has been the collecting of the arms remaining in civilian hands since the 1971 war. Whether the Indians were behind General Musharaf's attempt to seize power in November is not known—although they certainly rejoiced during the few days when he was in authority.

In all, however, the August and November coups may somewhat improve Bangladesh's rather hopeless position. A military-civilian regime which stresses Islamic values and sound administration will not solve Bangladesh's grave economic problems, but it is an improvement over the corruption and disorder of Sheikh Mujib's rule—although military governments can also become corrupt. A more pragmatic style of economic planning would certainly be helpful. And a regime that succeeds in obtaining additional aid from any source, and relief from the unbearable pressures of rising oil and wheat prices, is a government with a successful foreign policy. By these modest criteria, the regime of President Sayem and General Rahman may offer some hope for the future.

EEC : the road to better political co-operation

MICHAEL PALMER

The Nine could start by making their political co-operation procedure open-ended to enable them to consult allied countries and organizations when preparing to face complex challenges such as a possible EEC trade negotiation with Comecon.

ALTHOUGH the European Community has evolved a mechanism for political co-operation, it is a long way from achieving a common foreign policy. The political co-operation procedure takes place through quarterly meetings of the Foreign Ministers of the Nine which are prepared by meetings of the 'Political Directors' of national Foreign Offices and other national officials. The successful way in which the Nine concerted policies during the recent European security talks in Helsinki and Geneva and the initiation of the Euro-Arab dialogue have already proved the value of political co-operation. But up to now the range of subject-matter has been restricted and, more pertinently, there have been signs that the cohesion of the Nine could collapse all too soon under the strain of a sudden crisis, as the most recent Middle East war and the ensuing oil shortage showed.

In the long term, the creation of a permanent Political Secretariat (as an independent body or as a Directorate-General of the Commission or as an extension of the Council Secretariat) could provide the Community with a basis for political co-operation which would be both more solid and more flexible than the current one. The present system lacks continuity, since the meetings are on an ad hoc basis, with Ministers and officials flying to Brussels or elsewhere for a day or two and then flying home. There is no permanent secretariat, and the process is necessarily a spasmodic one.[1] But since the decision to create a permanent framework for political co-operation between the Nine on a continuing basis still seems far off in the light of arguments over the mandate, composition and seat of a political secretariat and, above all, its relationship with the Treaties, it might be useful to explore ways in which the present political

[1] As opposed to the technique evolved in Nato, where the national Permanent Representatives, who are competent, can be convened, with their advisers, in a matter of minutes.

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co-operation procedure could be improved and adapted so as to meet the demands which might be made on it within the next few years. If, through lack of forethought, there is no attempt to develop and improve existing procedures, there is a danger that the Nine will not be able to make an effective response to coming challenges.

One of the events which are most likely to confront the EEC in the near future is a formal approach by Comecon, or by Comecon and its individual member states acting in parallel, to negotiate a commercial relationship. Although the continuance of bilateral economic co-operation agreements between individual members of the European Community and individual East European states could well weaken the strength of the EEC's 'common commercial policy' in this context, a formal trade negotiation between the Comecon countries and the Nine would still be an event of major political as well as economic importance.

Following the first contacts made by Comecon, in August 1973, through its Secretary-General, Mr Fadeyev, with the Danish Foreign Minister, Mr Andersen, who was then President-in-Office of the Council, it was made clear to the Comecon countries that future approaches should be directed to the Commission, as the competent body.[2] When Comecon eventually takes the plunge and formally requests the opening of trade talks with the Community, the Commission will doubtless be delighted at the degree of recognition that the Community as a whole and itself in particular will have obtained from the Soviet Union and its partners.

But EEC/Comecon trade negotiations are bound to have political and security implications. Whereas on the Eastern side Moscow appears to lay down the negotiating line which its allies follow[3] in multilateral negotiations with the West, the West is sometimes less successful in orchestrating its approach to multilateral talks in the light of the competing approaches of different countries and international organizations. The European Commission has no 'foreign ministry' or political think-tank of its own, and although Sir Christopher Soames, the Commissioner responsible for external affairs, and Mr Wellenstein, his Director-General, are experienced and accomplished negotiators, their mandate in international negotiations is inevitably restricted, within the limitations of subject-matter imposed by the Treaties, to economic and commercial matters, political and security questions being, at least in theory, outside their competence.

What the Soviet Union and the other Comecon countries most want to obtain from negotiations with the West are economic, commercial,

[2] Following its meeting on 20 September 1973, the Council informed the Secretary-General of Comecon of its attitude through the Danish Ambassador in Moscow.

[3] Apart from Romania who generally promotes her own separate interests with vigour.

industrial and technological benefits. At present it seems quite possible that Eastern Europe could well obtain what it wants from the West in this direction whilst conceding little in return either in these fields or elsewhere, apart from increased Western industrial access to its markets.[4] But it is in very different fields, such as human rights or force and armaments reductions, where the West most requires concessions. So the danger is that, by negotiating about the commercial sector as an isolated subject, the Community might play the West's strongest cards without obtaining the quid pro quo it wants, and by doing so weaken its bargaining position in other East–West deals over human rights or force levels. And it could well be difficult for the West to play its industrial and commercial cards wisely and well in East–West negotiations until a closer and more flexible relationship is achieved between the Community and Nato.

New procedure proposed

Is it possible to devise institutional machinery—whether formal or informal—to solve this problem? What seems to be needed while waiting for the creation of a permanent political secretariat, that 'Godot of the Nine', is an extension of the present political co-operation mechanism which will be capable of concerting not merely the policies of the nine separate member states but also those of the Nine as an entity together with those of their allies and partners, whether in East–West negotiations or in other contexts.[5] If such a device is to be created, two conditions must be fulfilled. First, it must not overstrain the present embryonic and fragile Community system of political co-operation. Second, it must not weaken the cohesion of the Nine by watering down their own political procedures within a wider political system. The following proposal might answer the problems posed by any negotiations between the EEC and Comecon, whilst fulfilling the two conditions set out above.

In the event of a formal request for trade negotiations being made to the Community by Comecon, the Council of Ministers would, under normal Community procedure, decide on a mandate for the Commission which would then negotiate on behalf of the Community. Under the new procedure proposed in this article, before the Council gives a negotiating mandate to the Commission it should first instruct the Conference of Foreign Ministers of the Nine, who are already responsible for the quarterly political co-operation meetings, to reach agreement on the political and security implications of the negotiations.

[4] Though intensification of East–West contacts could more generally benefit Western industrial workers, farmers and consumers.

[5] The author claims no monopoly in suggesting a general approach of this kind. He first put forward his own ideas during a series of Chatham House study group meetings on East–West relations during the winter of 1972–3, suggesting the creation of 'some form of international Cabinet Office'. Similar proposals were, for instance, made by Christoph Bertram at an IISS/IAI meeting in Rome in April 1975.

Since the Commission would be the institution which would negotiate for the Community, it must be invited to take part in the meetings arranged by the Conference of Foreign Ministers and related meetings of the Political Directors.[6] Since the Nato Secretariat would certainly be in a position to contribute to the pool of knowledge and expertise needed by the Commission in conducting negotiations with Comecon, the Secretary-General of Nato might also be invited to take part. In addition, invitations could be extended to the United States, Canada and other Nato member governments. Although Ireland is not a member of Nato, she should not find it unduly difficult to attend a series of political co-operation meetings held to prepare trade talks, even if Nato members were also present.

It must be made clear from the outset that the Community would host such preparatory meetings. Representatives of other governments would attend not by right but only by virtue of an invitation from the Nine. It is important that the representatives of the Nine should sit together at these preparatory meetings—preferably on their own side of the conference table—to symbolize and underline their solidarity. It is essential that a representative of the Nine should chair all meetings of this kind—presumably the representative of the country holding the Presidency of the Council.

A series of meetings held along these lines should not be confused, in any way, with the proposal made by the US Secretary of State, Dr Kissinger, at the Nato ministerial meeting in Brussels in December 1973 that the political consultation of the Nine should be parallelled by a new procedure of political consultation between the Political Directors of the Foreign Ministries of the fifteen members of the Atlantic Alliance—an idea which provoked considerable concern in Community circles and which was dropped after one trial run.[7] Whereas Dr Kissinger's idea could lead to a loss of the 'European identity' within a wider Atlantic political framework, the suggestion made in the present article is concerned with maintaining and strengthening the 'European identity' by widening the competence of the Political Committee of the Community

[6] The Commission takes part in the discussion of those points of the agenda of the Foreign Ministers which directly concern it.

[7] But it is important to note that the State Department has now established the practice of consulting the President-in-Office of the Council (who is also the Chairman of the Conference of Foreign Ministers) *before* the quarterly meetings of Foreign Ministers concerning questions of common interest to the United States and the Nine. Although it would be futile for the Nine to attempt to stop the United States from trying to influence individual member governments about the development of common policies by the Nine, it would surely be better for the Nine *as an entity* to organize contacts with the Americans collectively, at the level of civil servants, before the quarterly meetings of Foreign Ministers, than to *continue to encourage* the State Department to have direct contacts with one or more selected European Community Foreign Ministers before political co-operation meetings.

(the Political Directors of national foreign ministries) and the expertise and authority of the Commission.

It could perhaps be argued that consultations between the Nine and their allies *within* Nato might achieve the same results. But this is not so since political consultations within Nato are conducted within a context of American preponderance and with the Nine divided into separate national delegations which do not sit, act or speak as one. The advantage of the present proposal is that it would permit the Nine to develop joint political attitudes on their own terms, using their own procedures, and according to their own requirements.

During the course of the proposed meetings to prepare the Community's negotiating position with the East European countries, diplomats from the Nato desks of the Foreign Ministries of the member states of the Atlantic Alliance and members of the Nato International Secretariat could provide briefings and back-up services to help the Nine, as and when requested by them, in preparing their negotiating position. In particular, they could ensure that both the Council, in preparing the Commission's mandate, and the Commission itself, during the course of negotiations, were fully informed of parallel political and security moves in East–West relations.

It might be argued at this point that the Nine have already evolved an effective system of concertation concerning the points discussed during the Conference on Security and Co-operation in Europe, and that the techniques used by them at Helsinki and Geneva could be adapted to EEC–Comecon negotiations. Baskets I and III of the security conference were essentially concerned with security, political and humanitarian problems, and the negotiating positions of the Nine Governments could, for those subjects, be prepared through the political co-operation procedure. But the formal mandate for EEC–Comecon negotiations is bound to be limited, in view of the restrictions imposed by the Treaties, to economic and commercial matters, even if a wider 'hidden', implicit and informal mandate might also exist, under the surface, in view of the proposed links with the political co-operation procedure. Further, whereas the United States, Canada and other Nato allies were involved, through the Atlantic Alliance, in the preparation of an overall Western position concerning the security conference agenda items, these countries will not be directly involved in EEC–Comecon trade talks. Unless some institutional device of the type proposed in this article is introduced, it will be difficult for the Community—particularly since all the negotiating carried out by the West in EEC–Comecon discussions will be the responsibility of the Commission—to maintain the contacts with Western allies and with the Nato Secretariat that it could in the security conference where the bulk of the negotiating was done by governments themselves, with the Commission appearing and negotiating only in Basket II.

In the context of EEC–Comecon negotiations, the main point of the proposal made here will be to provide the West with an institutional mechanism which would enable the Nine to negotiate a commercial relationship with the Soviet Union and the other Comecon countries in such a way that the West would, first, be able to require parallel concessions (to be made in other negotiations or fora) in other areas, such as human rights and force levels, and, second, would not be placed at a disadvantage compared with the Eastern European negotiatiors who, presumably, would be following a line laid down in Moscow to be applied across the board to the whole range of East–West talks. Once negotiations were in course, the Commission could continue to benefit from preparatory meetings, as outlined above, in seeking advice on how to handle specific negotiating problems as they arose.

It is sometimes argued that negotiating linkage between different kinds of problems can never be effective. But Mr Trudeau managed to use Canada's recent sales of wheat to the Soviet Union very effectively as leverage in persuading Mr Brezhnev to agree to reduce Soviet overfishing in the north-west Atlantic. Is there any convincing reason why the West should not use the desirable economic cards in its hand to extract military and human rights concessions from the Eastern European countries in EEC–Comecon negotiations?

The use of the technique outlined above need not be restricted to East–West negotiations. If the political co-operation procedure were used in the open-ended way proposed here, it could enable the Nine to develop a more effective policy towards, for instance, the complex of problems centred on Cyprus, including the quadrilateral relationship between the European Community, Greece, Turkey and Cyprus. The EEC's relationship with Nato concerning 'burden-sharing' is another vexed problem to which this 'conversation-piece' technique might usefully be applied. Until a Political Secretariat is set up, this proposal might help to narrow the gap between political co-operation and a common foreign policy. It could also be used to give substance to the proposal made by German political leaders at the time of The Hague summit of 1969 that a 'high-level contact body' be set up to maintain good relations between the Community and the United States.

Beyond the Eurogroup: new developments in European defence

P. H. SCOTT

THE meeting of the ministerial Eurogroup in The Hague on 5 November 1975 discussed once again the familiar topic of standardization. According to the communiqué, the Ministers agreed on the need 'to increase the inter-operability and standardization of military equipment within the Alliance' . . . 'to reduce the constraints of narrow national markets', . . . and 'to establish a more equitable balance of defence equipment procurement between the North American and European Members of the North Atlantic Alliance'. Such aspirations are as old as the Alliance itself. Everyone concerned has always been in favour of greater standardization, although it is generally agreed that in practice the Alliance has stubbornly moved in the opposite direction. On this occasion, however, the Ministers did not confine themselves to the expression of pious hopes, but made a cautious advance towards new machinery designed to achieve them. 'They decided to explore further the potential for extending . . . European armaments collaboration in an independent forum open to all European members of the Alliance. They agreed in principle to establish a European Defence Procurement Secretariat. With a view to the longer term, Ministers commissioned a study into the tasks which a European Defence Procurement Organization might undertake.' On the North American aspect, the Ministers agreed 'to propose to the United States and Canada that a dialogue should be opened in the near future' and that this 'called for a harmonized approach by the European Members of the Alliance'. This communiqué might well be the first tentative step towards a new organization for European defence. It might therefore be worthwhile considering what lies behind this development and what its consequences might be.

The first obvious point is the similarity between the ideas expressed in the communiqué, and even some of the language used, and the paper issued in August 1974 by T. A. Callaghan,[1] as a result of a study undertaken for the State Department. Callaghan argued that the major weakness of Nato, which threatened to undermine the conventional strength

[1] 'US/European Economic Cooperation in Military and Civil Technology' (Ex-Im Tech Inc; August 1974). There are useful summaries in *Survival* (May/June 1975), *The Atlantic Community Quarterly* (Summer 1975) and *The NATO Review* (August 1975).

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of the Alliance, was the waste involved in the multiplicity of separate national arrangements for the development, manufacture and procurement of weapons, and their logistic support. He calculated the annual loss as at least $11,000 m. by the United States and $7,000 m. by the Europeans. His solution was to propose a trans-Atlantic common market in defence equipment, the 'two-way street', with sales in both directions roughly in balance in the long term.

Since European defence industries and separate European governments as purchasers were both too small to sustain a bilateral partnership of this kind with the United States, Callaghan proposed that industries should be encouraged to merge across borders and that the governments should act together through a European Defence Procurement Agency. Callaghan did not attempt to go into any detail about the functions of the Agency or the way in which it might be established, presumably regarding this as a job for the Europeans. In effect, the Eurogroup Ministers have now responded by commissioning a study of precisely these questions.

There can be few, if any, precedents for an independent report leading so rapidly to action, not by one government only but by several. Even before the Eurogroup meeting, there had already been signs of a favourable response to the Callaghan thesis. The Culver-Nunn Amendment adopted by the US Senate last summer, for example, approved the idea of some procurement outside the United States in the interests of standardization. In September, the American and British Secretaries of Defence signed a Memorandum of Understanding, which agreed that there should be an 'appropriate balance' in arms trade between the two countries. This rapid response, on a matter which has bedevilled good intentions for a generation, is the more remarkable when one considers the obstacles. American sales of defence equipment to Europe are more than ten times greater than their purchases. Any move to achieve a more equal balance must therefore be to the commercial disadvantage of the United States. It could also be argued that more, and not less, American domination of the arms trade would be the easiest, cheapest and quickest road to standardization. For the Europeans, their own defence industries have become of greater value to their economies in consequence of the oil crisis. The possibility of huge arms sales to the oil producers offers some compensation for the pressure of the oil price on the balance of payments. Any rationalization of the European defence industries must involve the pruning of the less efficient parts and therefore the loss of jobs. European governments are thus likely to have even more hesitation than in the past over any relaxation of influence over their national defence industries or their freedom of choice to place their defence orders where they please.

On the other hand, European governments find themselves in a

situation where the need for something on the lines of the Callaghan proposal is increasingly compelling. Behind this are two long-standing sources of disquiet. In the first place, there is concern over the balance of conventional forces in Europe. This has never been more than barely adequate and is now deteriorating because the Soviet Union continues to improve its forces in power and mobility, while Nato is weakened by the effects of inflation. Nuclear parity and therefore stalemate, between the two super-powers, steadily emerging over the last decade and now recognized in SALT, has restored to conventional forces the primary responsibility for the maintenance of European security. Any fighting that breaks out in Europe is likely to begin conventionally and might be contained in that phase, provided that one side is not so weak in conventional forces that it is obliged to make an early choice between surrender or resort to nuclear weapons. The Soviet view of détente is evidently compatible with a steady build-up of forces, nuclear and conventional, ground, sea and air. If the Russians were to obtain a clear preponderance in any part of the equation, the consequences would be threatening and de-stabilizing. Nor are they likely to agree to force reductions in Europe or elsewhere if they start from a basis of superiority.

The other source of disquiet, which is intimately involved with the first, is concerned with the trans-Atlantic relationship. The American commitment to Europe, undertaken when the Americans had a nuclear monopoly, now involves a much greater risk to the United States. The countries of Western Europe (which together have a larger population and GNP than the Soviet Union) are no longer war-ravished, impoverished and impotent as they were in the 1950s. Might the Americans eventually lose patience if the Europeans do not reduce the risks of involving the United States in nuclear war by making an adequate contribution to their own conventional defence? In particular, should they not overcome the disarray and waste inherent in a multiplicity of separate national defence plans or separate procurement policies? If this is desirable to strengthen the Alliance under present conditions, might it not also be a prudent preparation in case the Europeans are obliged, in some unforseeable combination of circumstances in future, to rely upon themselves?

But of all the factors influencing governments to act in a matter which they would probably prefer to leave alone, the most persuasive is financial pressure, reinforced by the oil price and inflation. In all Western countries, the share of defence budgets absorbed by manpower costs has been rising steadily, and the amount left for the purchase of equipment diminishing accordingly. (In West Germany, for example, 41·1 per cent of the defence budget was available for equipment in 1968; by 1972, it declined to 30·6 per cent, and, if these trends were to continue, it would be only 7·3 per cent by 1981). At the same time, the cost of equipment

has been increasing even more rapidly than the average rate of inflation, partly because of its greater complexity and sophistication. In the past, Nato has been able to compensate for its inferior numbers on the ground in Europe by more advanced technology. The new risk is that the Warsaw Pact may be able to afford more of the new advanced weapon systems than Nato and this at a time of radical technological change.

In Western Europe, inflation has also added to the difficulties of defence industries struggling with the problem of financing research and development in a market which is too small to sustain it. The decision of four European governments in 'the arms deal of the century' to buy the American F-16 fighter, and not the French Mirage, emphasizes again that separate national defence industries in Europe need the economies of longer production-runs if they are to be competitive in price and quality with the United States. Advanced technology in such areas as aerospace and electronics is so intimately connected with the needs of the defence industries that one cannot be maintained without the other.

The advantage of the Callaghan proposal, and the reason for the response to it, is that it offers a simultaneous answer to all these problems: the need of the Alliance as a whole to achieve a more convincing conventional posture without more money or manpower; the need for the Europeans to be seen to be making a more rational and convincing response to their defence needs, and to maintain an advanced defence industry and the technologies associated with it. These two European objectives make it worthwhile for the Europeans to set up a joint agency, even if it is unlikely to achieve more than partially the optimistic aim of balanced two-way trade across the Atlantic.

The precedent of the EDC

The idea of an organization to integrate, or to further the process of integration, in the field of defence is, of course, not new. In fact, the original Six of the EEC came very close to the complete fusion of their forces in the proposal in 1952 for a European Defence Community. This was more than a vague aspiration; it was a treaty negotiated and signed by the six governments and ratified by all but France. Naturally enough, because it was another offspring of the same surge towards European integration, the Defence Community would have had the same structure as the Coal and Steel Community or the EEC, a supranational Board of Commissioners and a Council representing the governments. It is clear from the text that the drafters intended that in many matters, including specifically procurement, the Board was to be given a good deal of power to get on with the job without detailed interference, and therefore horse-trading, by the Council. The Defence Community was to be set up 'within the framework of the North Atlantic Treaty' and the European force was to be placed at the disposal of the Nato

Supreme Commander. Neither the other European members of the Alliance nor the United States saw any inconsistency between the interests and purposes of the Alliance and this very far-reaching military integration of six of the 14 members, and indeed signed a Protocol to this effect on the day that the treaty was signed.[8]

More recently, most proposals for European defence co-operation have been much more modest. Most have looked to an existing organization, the Eurogroup, Western European Union or the Political Co-operation machinery of the EEC countries, as a basis for development. There are problems about membership of all of these; France has always rejected the Eurogroup, and the others exclude Norway, Denmark (in the case of the WEU) and all but Italy on the southern flank. On the other hand, the EEC includes Ireland which is awkward in another way. The communiqué of 5 November attempts to by-pass this debate by suggesting the creation of 'an independent forum open to all European members of the Alliance', a formula which is clearly intended to ease the entry of France. With Germany and the United Kingdom, France is one of the three major manufacturers and purchasers of arms in Western Europe; an Agency without France would be rather like a car with three wheels. The French Government, dependent on Gaullist support in Parliament, may still feel, of course, that the new proposal is too tainted by its Eurogroup origins to be acceptable. The other Europeans might then try again, perhaps through the Political Co-operation machinery linked to the EEC. The institutional framework in which the new 'independent forum' is launched clearly does not matter as much as the membership, powers and functions of whatever organization is ultimately established. Without necessarily having any formal relationship to either the EEC or the North Atlantic Alliance, the new organization would, after all, consist of another permutation of the same governments, coinciding more closely with one another as the EEC expands, and it should strengthen both European integration and European defence. The formula used in the communiqué of 5 November aims at all European members of the Alliance, but this might be too ambitious as a first stage. There are the obvious current difficulties over Portugal, Greece and Turkey. Norway would presumably have hesitations to join a group associated even indirectly with the EEC so soon after her Referendum, and Ireland is not a member of the Alliance. This would leave the EEC less Ireland or, in other words, the original six of the European Defence Community plus the UK and Denmark, or, again, the members of the WEU, plus Denmark. This, although incomplete, would be a group that made sense in military and industrial terms. It includes the six largest producers and purchasers of arms among the European members of the

[8] Text in *Memorandum Regarding Western support for the European Defence Community* (London: HMSO, Cmnd. 8562, May 1952).

Alliance. With the addition of Italy, it comprises the countries of the Central Front, the decisive sector of the Alliance. An 'independent' organization formed in this way, with a similar relationship to the EEC as the Political Co-operation machinery, would emphasize its European rather than its Nato affiliations. Such an organization would be easier for France to accept, even if this looks like medieval hair-splitting; but France and the other governments would no doubt be more concerned with the realities of its powers and functions.

The proposal of the early 1950s for a European Defence Community went very much further than any government is likely to contemplate under present conditions. Not only did it intend to fuse national forces into a European entity where separate national military identity and control would have disappeared, but it would have included nuclear as well as conventional forces within its scope, and controlled all imports and exports of arms. But if this is too far-reaching, the phrase 'procurement agency', used both in the communiqué and by Callaghan, could be used in too restrictive a sense. Certainly there is no need, and it would be unacceptable to France and probably some other governments in any case, for the Agency to introduce any more limitation of the national control over the disposal and employment of forces than follows from existing treaty obligations. Wider strategic questions, including nuclear policy, should be left to the institutions of the Alliance; the United States is so fundamental to them, that it is impossible to handle them in an organization that does not include the Americans. Europe would not want to provoke the Soviet Union or encourage nuclear proliferation by any suggestion that a new nuclear force was emerging on the continent. Exports of arms to countries outside the Alliance are both an important source of foreign exchange and of domestic, as well as international, political controversy. As long as separate national defence industries continue to exist, this trade would best be left to the governments involved to avoid areas of difficulty not essential to the objectives of the Agency. On the other hand, the Agency must have real power if it is to set governments on the road to standardization. An Agency which merely handled the mechanics of purchase, not the decisions on what to buy, would have very limited effect. The heart of the matter is a mechanism to arrive at combined and binding decisions that such and such items of equipment in such and such quantities, and nothing else, should be purchased. These decisions require not only evaluation of the different possibilities that are available, but depend on decisions on what is required, which in turn depend on tactical doctrine, at least as far as it applies to the particular item in question. The Agency would be the only purchaser of arms in Europe and this alone would give it great influence over European defence industries; but it would have to work to a conscious industrial policy if it is to encourage the most economic structure in the

shortest possible time. Similarly it would have to evolve and apply deliberate policies to avoid waste and duplication in research, and to seek economies in the standardization of logistic support. In this, and in all its activities, it would have to keep in touch with the United States and Canada and seek a series of agreements to promote Alliance-wide standardization and the trans-Atlantic 'two-way street'. For all these functions the Agency would need specialized staff; they might be recruited from the national Ministries of Defence, as the functions themselves are transferred from the separate ministries to the joint Agency.

Such an organization could be built up gradually, beginning with the secretariat announced in the communiqué. At first, this will probably do no more than co-ordinate and act as an exchange for information; but it might progressively acquire executive functions. Its budget might consist of funds contributed by member governments to cover administrative costs only, with purchases financed separately by the recipient governments. There is no doubt much to be said in favour of this cautious and gradualist approach; but it is questionable if it would be drastic and quick enough to produce results in time. If governments do not have their arms twisted a little by a supra-national authority, they will be twisted with the opposite intention by their own industries and trade unions. It would probably be better therefore to give the Agency structure, power and money from the start, defined in a treaty negotiated for the purpose. As with other European organizations, an element of supranational authority, vested in a Board of Commissioners, should be reconciled with the policies of the member governments through a Council of Ministers; but the relationship between the two should be so defined that the Board has power to act within the limits of its responsibility without detailed interference. The power and effectiveness of the Agency should be enhanced by the allocation to it of funds, calculated on some formula such as a proportion of GNP, so that it can make the actual purchase of equipment on behalf of its members. This financial power might be transferred gradually over a transitional period, but ultimately the entire share of defence budgets available for equipment should be handled by it.

Are governments ready to go as far as this? The traditional political objections of France[3] should not, logically at least, apply. The Agency would be excluded from the wider and more controversial areas of defence policy. As such, it would not transgress against President Giscard d'Estaing's doctrine that an integrated European defence policy can come only after the evolution of a European political organization. By giving defence a more pronounced European identity and offering a more balanced counter-poise to the United States, it would accord with long-

[3] See Uwe Nerlich, 'West European defence identity: the French paradox', *The World Today*, May 1974.

standing declared aims of French policy.[4] But the immediate impetus behind the proposal is more economic than political. It aims at avoiding financial waste in hard times and at preserving a technologically advanced defence industry in Europe. France is even more affected by these considerations than many of her allies. She has important defence industries; one of them, military aircraft, has been threatened by the decision of the four European governments to buy American; on 12 November, President Giscard d'Estaing announced increased expenditure on the re-equipment of French conventional forces. France would therefore benefit more than most from a European common market in military equipment with arrangements aimed at securing increased exports to North America. But, of course, it is not only France that might have hesitations. Certainly effective machinery of this kind would involve the sacrifice of independent decision over the purchase of conventional arms, and therefore of the ability to provide at least one customer for national defence industries. Governments will be less able to protect their own industries and the jobs which they provide. Even if this means the emergence of a stronger and more competitive industry on a European scale, will governments be prepared to accept the risks of local discontent? The answer depends, at least partly, on how seriously they take the increased threat to their security imposed as much by inflation as by any other factor. The Hague communiqué of last November suggests that they are in fact ready to draw the appropriate conclusions.

[4] On 8 December, Mr Roy Mason, the British Defence Secretary, confirmed that France had responded favourably to the Eurogroup's proposal for a new independent body (see *The Times*, 9 December 1975); but the precise nature of the French reaction is not yet known.

Corrigenda

In the December 1975 issue, on p. 490, nine lines after the subhead, 'Foreign Minister' should read 'Finance Minister'. On p. 505, twelve lines from the end of the page, 'Gaullist chairman' should read 'Gaullist rapporteur'.

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Energy considerations in Comecon policies

JEREMY RUSSELL

Russia may have to let her Comecon allies struggle with a worsening balance of payments due to their energy requirements, or accept a decline in her earnings from oil exports just when her need for Western technology and grain is growing.

THERE is a great deal of speculation in the West upon whether or not the Soviet Union and the other Comecon countries of Eastern Europe are experiencing energy problems similar to those faced by almost every nation in the world. Do they have enough energy from domestic sources to be able to do without imports, and for how long? Will they become substantial importers of Opec oil by the end of the decade? How big, in fact, are the energy resources in the Soviet Union, and can these ever be developed to contribute significantly to the supply position of the rest of the world? Will the Soviet Union be forced to seek massive Western assistance in the development of Comecon's energy resources if future economic progress is not to be retarded by an energy shortage? Finally, is the current Soviet leadership likely to attempt to influence international events in any way as a result of pressures arising out of the energy situation?

It is now possible to clarify somewhat the current energy position of the Soviet Union and the East European Comecon countries, and trends in production and consumption can be projected through to the end of the 1970s and into the early 1980s to see what changes in their energy situations might occur. In the case of the Soviet Union, total energy consumption has been rising at an average annual rate of 5·2 per cent since 1970, and the overall trend in the optimization of the fuels—energy balance is towards the reduction in the use of coal and an increase in the use of oil and gas. In 1975, oil, gas and coal accounted for 42, 21 and 30 per cent respectively of total Soviet energy production—the remainder being supplied by hydro-electric power, peat and shale, wood and nuclear energy. Overall energy production is increasing by just over 5 per cent per annum but the rate of increase in oil production has fallen sharply

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from around 12 per cent per annum in the early 1960s to between 6 and 7 per cent at the present time.

Oil consumption on the other hand is currently increasing at over 7 per cent per annum. The rate of increase of natural gas production has picked up from a low of 4·2 per cent in 1972 to a current rate of nearly 9 per cent per annum and this rate of progress will probably be maintained during the next five years.

Coal production has increased at a rate of between 1·9 and 2·4 per cent annually during the last five years and little change is expected in the immediate future. It seems very likely that the Soviet Union will have an energy surplus of between 200 and 250 m. tons of standard fuel equivalent by 1980, which is roughly the same as its surplus at the present time, although gas will account for a higher proportion and oil for a lower proportion of the total than is the case today.

The Soviet Union is known to have enormous potential reserves of oil, gas and coal, sufficient for its own energy needs to be met from its own resources for many years to come. Only in the oil industry is the rather slow rate of discovery and proving up of sufficient and easily exploitable new reserves giving rise to anxiety. The main problem facing the energy industries is that, whereas some 80 per cent of Soviet energy consumption occurs in the European and Western parts of the country, the reserves are mainly situated east of the Ural mountains, in Siberia and Central Asia or in the Far North, thousands of kilometres from where they are needed. Not only is the climate and terrain in these regions extremely hostile, but there is virtually no infrastructure such as roads, railways, towns, food supplies etc. upon which to base their development. The areas concerned are also very sparsely populated and all these factors taken together make the exploitation of new energy resources an increasingly costly and time-consuming business. Hydrocarbon deposits in the older localities and in the more accessible regions of the Soviet Union have mostly passed their peak production capabilities, and in some places output is on the decline. The maintenance of production from these older areas even at current levels is also becoming increasingly costly as secondary recovery techniques have to be operated and the necessary equipment installed.

The transport problems facing the Soviet energy industries involved in ensuring the East–West flow of oil, gas, coal and electricity over several thousands of kilometres are extremely daunting, and substantial imports of steel pipeline and pumping equipment from the industrialized countries of the West are already being made. Joint venture schemes with Western organizations for future additional exports of Soviet energy, particularly in the form of natural gas, would all be likely to involve the supply of line-pipe, and possibly even the construction of pipelines themselves on Soviet soil by the Western partners. All such schemes would, however,

be dependent upon the extension by the West of billions of dollars of credit, and the provision of technology and equipment—to be repaid in due course by supplies of Soviet energy resulting from the projects in question. There are, incidentally, no major schemes of this nature currently under discussion which, even if they were to get under way immediately, would be able to contribute significantly to the Soviet energy export position until the early 1980s, and even then they would not involve more than some 20 to 25 m. tons of oil or 20 billion[1] cubic metres of gas annually—small quantities in comparison with the Soviet Union's overall oil and gas production figures, of some 640 m. tons and 430 billion cubic metres respectively in 1980. (Coal has never been a major Soviet energy export commodity, and while it is extremely likely that the Soviet Union will boost its coal production over the next few years to, say, 800 m. tons by 1980, domestic requirements coupled with transport and distribution problems will prevent the Soviet coal export picture from changing very much.)

Supplies of Soviet gas to Eastern Europe via the Bratstvo pipeline, which also carries gas in transit to Western Europe and has a maximum throughput of some 28 billion cubic metres annually at present (although capable of further increases if more compressor stations are constructed), are to be augmented during the 1976–80 five-year plan period by the construction, shared by all the recipients of the Comecon countries, of a 15·5 billion cubic metres per annum gas line from the recently discovered Orenburg gas deposit, 1,000 kilometres south-east of Moscow. Oil is delivered to Eastern Europe from the Soviet Union both via the Druzhba pipeline (the maximum throughput of which—50 m. tons per annum—was reached in 1975) and by rail and tanker deliveries.

The substantial dependence of the East European Comecon countries for their supplies of oil (over 80 per cent) and natural gas (20 per cent) on the Soviet Union raises the question of their situation in the future when there may be rather less Soviet energy available for export than there has been over the past ten to fifteen years. Although the total Soviet energy surplus may be about the same in 1980 as it is today, the oil requirements, for example, of the East European countries will be considerably larger (125 m. tons in 1980 compared with 85 m. tons in 1975); and since their own energy production capabilities are extremely limited, their demand for supplies from the Soviet Union must inevitably increase in view of their chronic shortage of hard currency and the high prices now prevailing on the world energy market.

Comecon recipients of Soviet energy would find it extremely difficult, if not impossible, for both financial and logistic reasons, to import on a similar scale from elsewhere, even if they wanted to. Although the price of Soviet oil to Comecon countries increased by 130 per cent in January

[1] billion = a thousand million.

1975—from 16 to 37 transferable rubles per ton—these countries have nevertheless been cushioned against the blow of quadrupled world oil prices, at least for the time being. However, since prices to Comecon of Soviet oil are now re-negotiated annually on the basis of the average of the preceding three years' prices, the Comecon countries will be paying in transferable rubles the equivalent of current world prices well before the end of this decade. Furthermore, import volumes and annual increases for Soviet oil have now been fixed within Comecon for the period covered by the 1976–80 Five Year Plan, and any volumes required in excess of these established quotas will have to be paid for in hard currency.

The Soviet Union is in a very strong position to require its Comecon allies to increase substantially their investments in the development of the Soviet energy industries—in exchange for guarantees of future supplies—and its allies will find it very hard to refuse. There seems little possibility that any of the Comecon importers of Soviet energy, except Poland which exports coal to the Soviet Union, will be able to avoid diverting more of the cream of their industrial production from East/West trade to trade with the Soviet Union in payment for energy imports.

The Soviet Union, however, currently earns over 30 per cent of its total hard currency earnings from exports of crude oil and products to the industrialized capitalist countries, mainly in Western Europe. In 1973 the volume of Soviet oil available for hard currency earning was approximately 44 m. tons, although this figure had fallen to nearer 40 m. tons in 1974. It is likely that by 1980 this surplus will have fallen further, and whereas the Soviet Union could still supply all the oil requirements of the Comecon countries from its own export surplus, this would only leave some 20 or 30 m. tons for export to the rest of the world. Shortly thereafter, in the early 1980s, unless major new oil deposits like the giant fields of Western Siberia are discovered and proved up during the next few years, it seems very probable that the combined oil requirements of the Comecon countries and the growing Soviet domestic demand will between them exceed the total Soviet and East European oil production volumes. The Soviet bloc will then, as a whole, become a net importer of oil (although not of energy). It will, on the other hand, be a net exporter of some 30–50 billion cubic metres annually of natural gas to the West, and probably of small quantities of coal as well; but the strain on the hard currency situation occasioned by the need to import, say, 30 m. tons of Opec oil at current world prices will be considerable, and the quantity could well be higher.

The choices facing the Soviet Union and its allies therefore include cutting down on the rate of growth of oil consumption, although this would lead to reduced economic efficiencies; substantially increasing energy production by their own efforts, but this is becoming increasingly costly and difficult in view of infrastructural and logistic factors; securing

access to outside energy supplies for which payment could be made by means other than hard currency, although this choice would inevitably involve the Soviet Union and its allies more closely in some of the most sensitive areas of international politics and economics in which they have not been notably successful in the past; there are, for example, pitfalls connected with Arab nationalism and the incompatibility of Communism and Islam. Moreover, the oil-producing countries may not wish to be any more lenient with the Soviet Union and its allies than they are with the rest of the world when it comes to payment for their dwindling supplies of energy.

A further choice would be to call upon the West for massive assistance in the development of Comecon energy resources, on the basis of long-term Western credits to be repaid, ultimately, by energy exports. But this could have adverse repercussions upon the political and ideological situations of the Comecon countries, particularly the Soviet Union, and does not at present seem a very attractive proposition, from a purely economic point of view, for potential Western partners either.

The Soviet Union and its allies are likely to pursue all of the above possibilities to a greater or lesser extent. Energy saving measures have been taken throughout Comecon and are reported to be having quite a considerable short-term effect, especially on oil consumption. The process of détente has reached a point where the flow of technology, equipment, etc. from West to East is developing well, while the credit-worthiness of Comecon countries in the eyes of Western financial circles is extremely good. Such, however, is the magnitude of the scale of operations and the contribution that would be required by the potential Western partners in respect of any significant Soviet energy export schemes, and such is the time-scale—it could be as much as 25 years before the capital outlay, credit and accumulated interest is finally paid off (at a time of high inflation rates)—that not even the largest Western energy companies can tackle these projects alone, or even in consortia, without substantial government backing.

Political factors

Political considerations are, indeed, of over-riding significance in such major manifestations of East–West industrial co-operation. An outstanding example of this is provided by Soviet–Japanese relations.[a] Since the mid 1960s, inter-governmental economic and commercial co-operation discussions have taken place concerning possible joint developments of Siberian energy and raw material resources. Japan is an obvious customer for Soviet exports in this field, and the Soviet Union will clearly be unable to develop anything like all Siberia's wealth by itself for a very long time,

[a] See James Simon, 'Japan's *Ostpolitik* and the Soviet Union', *The World Today*, April 1974, and R. P. Sinha, 'Japan and the oil crisis', *ibid.*, August 1974.

and could use a great deal of Japanese finance and industrial expertise and equipment. Two of the main projects discussed between the two sides have been the construction of an oil pipeline from Western Siberia across the Soviet Far East to the coast near Vladivostok, and the development of East Siberian natural gas resources followed by the construction of a gas pipeline from the Yakutiya region to the coast of the sea of Okhotsk. The Siberian oil pipeline would have passed extremely close to the Sino-Soviet border, and while part of its throughput would have been exported to Japan, the remainder would have been used both for economic development in the Soviet Far East and for the supply of oil for the maintenance and expansion of Soviet military forces both offshore and onshore. This latter development would have proved extremely unpalatable to China, who made no secret of her feelings in her negotiations over the last few years aimed at improving relations with Japan. While Japan has, for a long time, been very interested in securing substantial long-term supplies of Soviet oil, she is also interested in improving her diplomatic and economic relations with China who is, incidentally, also beginning to show signs of developing into a significant oil-exporting country.

Japan does not seem prepared to jeopardize her future relations with China for the sake of somewhat limited volumes of Soviet oil, and has, to all intents and purposes, withdrawn from the Siberian oil export project. China has, in fact, been exporting increasing quantities of oil to Japan in recent years (exports may have reached 8 m. tons in 1975) and has indicated that by the end of this decade she might be able to make as much as 30 m. tons per annum available. Moreover, China would be unlikely to insist upon long-term Japanese credit or heavy physical involvement on the Chinese mainland, preferring payment in cash and pursuing where possible an independent economic development policy vis-à-vis the rest of the world.

Similarly, Japan is anxious for the return of the four southern Kurile islands, which were seized by the Soviet Union at the end of the Second World War and is reluctant to become too heavily committed to industrial co-operation with the Soviet Union until this issue is resolved. China also has geographical disputes with the Soviet Union involving substantial areas on the Sino-Soviet border which, she claims, were wrongly appropriated by Russia as a result of 'unequal treaties' dating back to the middle of the nineteenth century, and the Soviet Union could hardly yield to one country's territorial demands without yielding to the other's. Furthermore, Sino-Soviet relations are so bad at present that China will wholeheartedly oppose any developments which would tend either to strengthen Soviet military or, indeed, economic capabilities in the Far East or to promote Soviet plans for any Asian 'security' pacts which China would regard as a Soviet attempt at encirclement.

The Yakutiya gas scheme is also beset with political problems since the

Japanese are anxious—for long-term security reasons—that there should be American participation. However, while Japan agreed to put up her share of the necessary finance for the first stage of the project, involving the exploration and proving-up of the necessary reserves of gas in the Yakutiya region, the American contribution was for a long time frozen as a result of a ban on the extension of large-scale credits to Russia by the Export-Import Bank, imposed as a result of the Jackson-Vanik amendment to the US Trade Reform Bill, denying the granting of most-favoured-nation status and other trade benefits to the Soviet Union until such time as the latter agreed to allow freer emigation, particularly of Jews. The Soviet–American trade agreement which was signed in 1972 would have allowed both for the granting of MFN treatment to the Soviet Union and the extension of the necessary Export-Import Bank credit, had it not been for the inclusion of the Jackson-Vanik amendment. In early 1975, the Soviet Union rejected the US–Soviet trade agreement, following congressional approval for the Amendment, on the grounds that this represented intolerable interference in Soviet internal affairs by the United States.

As things stand, the Export-Import Bank is in a position to advance up to $40 m. credit towards the Yakutiya natural gas exploration scheme, but all other major potential US–Soviet energy development schemes, which would all require massive (i.e. $7–10 billion) US credits, are currently held up, and there is unlikely to be a change in the law before the end of 1976 at the earliest. Even when the Export-Import Bank restraint is lifted, large-scale US credits for the Soviet Union may not be rapidly forthcoming until US industrial and financial circles are convinced that, with the backing of the US Government, the risks involved are at least no greater than those attached to the extension of similar amounts of credit for energy schemes in other parts of the world. In fact, as mentioned above, US financial institutions regard the Soviet Union very favourably from the point of view of credit rating, but they feel that talk about détente must be translated into concrete geo-political developments which can be seen by all but the most intransigent cold warriors to be improving US–USSR global relationships.

The Soviet Union, for its part, has shown that it is certainly not prepared to be seen to be making concessions of a political nature, for example on the question of Jewish emigration, simply in order to obtain access to such relatively small sums of credit, as the $300 m. which is the maximum now allowable on Export-Import Bank credits.

Attention today seems to be focused less on the development of major *new* Soviet oil and gas deposits with American assistance than upon Soviet acquisition of American equipment, technology and know-how for the extraction of oil from older deposits by secondary recovery methods, as well as on the exploration and appraisal of hydrocarbon

resources in hitherto virtually unexplored regions of the Soviet Union such as Eastern Siberia, and offshore in the North and Far East. For the time being, however, given the setback on the trade agreement, the short term impact of the world energy crisis upon Western economies, coupled with longer term uncertainties over the future price of Opec oil and a reappraisal by the Soviet Union of its own energy position, the imminent conclusion of any major US–Soviet energy co-operation scheme seems rather unlikely.

In view of the apparent urgency with which the Soviet oil industry now views the need to prove up new reserves of oil if current production rates are to be maintained into the 1980s, the longer the delay in reaching agreement with US and other Western companies, the greater the pressures must be upon the Soviet energy industries to work out their own salvation, with less rather than more direct assistance from the West but with, perhaps, increased purchases of Western equipment and technology—on credit where possible.

Europe and the Middle East

Soviet relationships with the countries of Western Europe in the energy context have so far been mainly on a straightforward commercial basis. The availability of Soviet oil for West European customers has declined over the past two years but prices have remained in line with those prevailing on the world market. The Soviet Union has concluded a number of gas export deals with West European countries including West Germany, Austria, France and Italy, and a major element of payment from the Western side has been the provision of large-diameter steel pipeline for the construction not only of the export lines themselves but also of the domestic Soviet network. It can be expected that Soviet gas exports to Western Europe will grow over the next decade although possibilities for increased oil exports seem much fewer, particularly if up to 10 m. tons annually are made available for export to the United States. The Soviet Union is nevertheless actively seeking West European financial and technical assistance in the development of certain of its more difficult domestic oil and gas resources, and is paying particular attention at this time to the Barents Sea. Apart from its own undisputed offshore areas in this region, the Soviet Union is interested in the undersea mineral potential further from the land, in areas where the demarcation line between the Soviet and Norwegian sectors of the Barents Sea has not yet been internationally established, and indeed the whole question of the demarcation of the Barents Sea is the subject of protracted discussions between Norway and the Soviet Union. The situation is further complicated by uncertainties regarding the status of Spitzbergen, and the right of international organizations to prospect for minerals there, both onshore and offshore in the Barents Sea, which is, of course, of considerable strategic

importance for the Soviet Union, being not only the outlet for the northern naval fleets but also situated close to the Soviet nuclear testing ground on Novaya Zemlya.

Soviet energy relationships as such with the countries of the Middle East have been, and remain, on a relatively small level. Imports of oil into the Soviet bloc have been made at one time or another, and in relatively small quantities, from nearly all the oil-producing countries, although it has been in Iraq that the Soviet Union and its allies have concentrated their investment so far. In return for some $200 m. worth of investments in the North Rumailah oil fields, Iraq has been supplying the Soviet Union with some 2 m. tons of oil annually in recent years and this volume is scheduled to increase over the rest of the decade. Comecon exploration and production teams have been working in most of the countries of the area, though without very great success, and Comecon countries have afforded both practical and political assistance to countries which have from time to time been in conflict with the international oil industry.

Comecon imports of Middle Eastern oil had been increasing during the early 1970s, and wherever possible payment was made in soft currency commodities, military and industrial equipment, or in exchange for economic aid. Many of the Middle Eastern countries were, in turn, prepared to exchange their oil for East European and Soviet goods and military assistance if they were unable to obtain these from capitalist countries supporting Israel in the Arab–Israeli confrontation. The quadrupling in world oil prices following the outbreak of Arab–Israeli hostilities in October 1973 and recent moves towards peace on the Arab–Israeli front have significantly affected the pattern of Comecon relationships with the countries in the area.

On the one hand, not only will many of the oil-producing countries no longer find the barter of their oil for East European commodities such an attractive proposition, particularly when they have increasing amounts of dollars available to purchase better quality products from the advanced capitalist countries, but they are also likely to prefer to acquire more sophisticated armaments from the West rather than from the Soviet Union and its allies. On the other hand, the East European countries, because of their chronic shortage of hard currency, will find it extremely difficult to finance even the current level of oil imports from non-Soviet sources for hard-currency payments, let alone to import increasing volumes.

The Soviet Union is not currently enjoying particularly happy relations with many of the countries of the Middle East, and matters are further complicated by the fact that there is a large and steadily growing Muslim population in its Southern and Central Asian republics. There is little compatibility between the Muslim religion and the tenets of Communism, and Soviet policy makers must take into account not only the

growing wave of Arab nationalism in the Middle East but also a possible growth of pan-Islamism at some point in the future.

In cocclusion, the Soviet Union and its East European Comecon allies have no overall energy shortage at the moment and are not likely to experience one this century. However, although the Soviet Union itself could remain in energy surplus for the foreseeable future, the East European countries are already in energy deficit and their dependence upon energy imports will continue to grow. Furthermore, the availability of oil supplies within Comecon is already under strain and may well prove inadequate to meet demand in the early 1980s, so that Comecon could need to import as much as 50 m. tons annually from elsewhere.

The Soviet Union may thus be faced with either seeing its hard-currency earnings from oil exports decline at a time when its requirements for imports of technology, equipment and grain from the West are growing, or of seeing its Comecon allies struggle with a serious and worsening balance-of-payments problem as a result of their energy import requirements, which could lead to a need to reduce energy consumption —with all the adverse economic, social and political repercussions which that would entail. If the Soviet Union should feel that massive Western assistance in developing its energy resources would ease the situation, it will have to convince potential partners that the long-term political and economic risks are smaller than they now appear to be, and that the rewards will be larger. If it decides that it can do without Western help, however, it may find that the provision of an adequate amount of its own financial and technical resources for the energy industries will impose a very uncomfortable burden upon other sectors of its economy, and upon its Comecon allies.

The Soviet leadership appears, therefore, to be confronted with a number of areas of uncertainty arising from energy considerations, which should cause it to ponder deeply the possible repercussions, upon its own and its East European allies' future energy positions, of any schemes which it may be contemplating for the further discomfiture of its ideological opponents. It will not, however, be 'forced' to accept Western assistance in the development of its energy resources, welcome though that assistance undoubtedly would be.[3]

[3] For an analysis of the role assigned to Western technology in current Soviet economic strategy see also Michael Simmons, 'Western technology and the Soviet economy', *The World Today*, April 1975.

Thailand: conflict or consensus?

J. L. S. GIRLING

The political changes taking place in Thailand are contrary to the almost universal trend in the Third World towards more authoritarian systems of rule, whether military or civilian. But can the democratic process be maintained, and can this solve the country's problems?

THE present encouraging political transformation in Thailand occurs against a backdrop of economic difficulties and external uncertainties. The confusing combination of bureaucratic and governmental policies, pushed and pulled into shape by a variety of interests and pressures, on the one hand, and of circumstances (especially economic, demographic and strategic) largely beyond official control, on the other, makes prediction hazardous. Thailand's transitional state suggests a variety of questions. Will the present democratic party system last? Can it produce the reforms needed to improve the conditions of the poor? In particular, can it give the farmers a new deal? What are the chances of a military coup? Are acts of violence by Right and Left beginning to polarize Thai society? Is revolution a serious possibility? Does 'Vietnamese expansionism' constitute a real threat or is it a bogey, just as 'Chinese expansionism' was?

If there can be no conclusive answer to these questions—even in the short term, let alone in five or ten years' time—at least an informed assessment of the options can be attempted. This can conveniently be done within the following framework of discussion: (i) The ruling system for most of the last three decades: elements of stability and acceptance. (ii) The extent of change since the overthrow of the military leaders in October 1973. (iii) The major problems, both in the short and longer term. (iv) The prospects with regard to forms of power, related to social and economic factors.

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Bureaucratic system

The ruling system in Thailand, up to October 1973, has been aptly called a 'bureaucratic polity'.[1] Its component parts were, and are, the armed forces—especially the military—the police and civilian officials. It relied on two main sources of non-bureaucratic support: the Chinese business community and the traditionally land-holding peasantry. Other non-bureaucratic institutions typical of 'pluralistic' societies were either lacking in political influence or virtually non-existent in Thailand: they included the constitutional monarchy, a pervasive Buddhist organization deeply rooted in the countryside but consciously non-political, submissive trade unions (when permitted to exist at all), a subservient and often scurrilous Press, career- and status-oriented students and, finally, ephemeral political parties, weak, impoverished, ill-organized and faction-ridden, at times unreasonably obstructive (to compensate for their lack of real power), at other times unduly susceptible to governmental 'inducements'. In the absence of countervailing pressures, the bureaucratic polity remained unchallenged: for if its leaders changed, usually by means of a coup, the system went on. It subsisted and even flourished on the agricultural surplus extracted from the peasantry, chiefly by fiscal policies, and on the trade-off practised with the Chinese—the latter being offered protection (from nationalistic or ideological harassment) in return for profits shared with the generals and senior officials.

This 'traditional' system was narrowly elitist, only gradually broadening its base by absorbing the newly-educated and the enterprising provincials: but it was remarkably stable so long as students could be recruited into the bureaucracy, as officials had reasonable salaries (or benefits), as population pressure on the land was not acute, as the economic boom of the 1960s proceeded, and as the gap between living standards in the towns and countryside had not diverged alarmingly. These problems—slow but inexorably spreading fissures in Thai society—were contained by a combination of political passivity (why organize or struggle if the only result is repression?) and of economic growth. The latter took place both in the rural sector—new upland crops supplementing the staple export of rice—and in industry (joint ventures with Japanese, American and European enterprises), finance (enlargement of the banking network) and commerce (trade expanding with improved communications). Only the blatant incapacity of the ruling cliques,[2] manœuvring, quarrelling, vacillating (between bland tolerance at one moment and

[1] Fred W. Riggs, *Thailand: The Modernization of a Bureaucratic Polity* (Honolulu: East-West Center Press, 1966).

[2] Headed by Field-Marshal Thanom Kittikachorn, Supreme Commander of the Armed Forces, Prime Minister and Minister of Defence, now in exile in the United States, and Field-Marshal Praphat Charusathien, Commander-in-Chief of the Army, Deputy Prime Minister and Minister of the Interior, now in Taiwan. The third man to be exiled was Colonel Narong, son of Thanom and son-in-law of Praphat.

blunt repression at the next), greedy, corrupt and satiated with power, finally triggered off the long-submerged tensions in Thai society, aggravated as they were by inflation and rice shortages, in an explosion of student and popular rage.

Changes since 1973

During the decades of the 1950s and 1960s the political situation was depressingly predictable: brief excursions into highly restrictive party politics followed by long periods of military clamp-downs—as martial law was imposed, the current constitution abrogated, and political parties banned. The limits of military tolerance were so well known that students, journalists, politicians, professional men and workers were as much inhibited from effective criticism and organization by their own awareness that repression would automatically follow—hence the futility of challenging the machine—as they were by the actual use of military or administrative power. For these reasons, subjective and objective, the political situation was closed: now it is open.

The basic structure of the system has not changed (here the radical students are right); but there are possibilities of change (here the radicals are wrong to claim that it is the same system as before, and that only the personalities have altered). The very openness of the present situation makes it both encouraging—in comparison with Thailand's neighbours, which are steadily closing their options—and confusing, because of the range of possible outcomes. These include, at either end of the spectrum, reversion to military dominance and its opposite, the transformation of the system through a combination of economic, demographic and insurgency pressures into a 'people's democracy' à la Laos. In between these extremes, and again from right to left, are the gradual consolidation of the party system around a democratic conservative consensus, and the serious effort to carry out (rather than merely propose) reforms, by parties and organizations of the Centre and the Left.

The likelihood of one or other of these options being realized depends on the extent of change since 1973. There is no doubt that, as a direct result of the Thanom-Praphat attempt in October 1973 to suppress the student-led constitutionalist movement by force, the elite system at that time was sharply divided: first of all the King, symbol of the nation, came out on the side of the students; second, the newly appointed Commander-in-Chief of the Army, General Kris Srivara, and the army command opposed the use of violence against the popular movement; third, the students were able to mobilize enormous support—from workers, shopkeepers and clerks to teachers, professionals and wealthy members of the elite—against the discredited regime.

The present impact of the 'October Revolution' is felt in four main directions. First, the mainstay of the old system, the army, has suffered

a severe psychological shock, which so far inhibits it from directly intervening in politics. The second effect flows from the first: as a result of the 'power vacuum' after October 1973, political parties—generally of conservative tendencies—are actually playing an important part in the political process. In the third place, new forms of economic power have emerged, reflecting the more complex and differentiated development of the Thai economy. Lastly, there is the organization and activity of formerly 'submerged' occupational groups: students, trade unions and, stimulated by the above, an increasing number of peasant organizations. Let us now consider these changes in more detail.

(a) *Military.* First and foremost, reversion to military dominance in the old style—i.e. through a network of interlocking appointments, controlling internal and external security as well as the machinery of government, through the posts of Prime Minister and Ministers of Defence and the Interior—is now unlikely, except in the event of a domestic or foreign crisis. Indeed, it is also unnecessary, given that military interests and privileges are largely unaffected by the present system.[3] Further, the armed forces are still on the defensive. They have lost the external protection afforded by the United States and are now clinging to whatever forms of collaboration are still available—chiefly American provision of training and equipment in return for the use of electronic surveillance facilities—after the withdrawal of all American troops (to be completed by March 1976). Internally, the armed forces are not doing too well against the insurgencies in the North, North-East and South and are subject to much more outspoken criticism for their heavy-handed, American-style methods, including firing on villagers and indiscriminate use of napalm, artillery and airpower. To offset the loss of the old cold war 'certainties' the armed forces continue to bang the patriotic drum in a not unsuccessful effort to rally support against external 'enemies'.[4]

But there are other straws in the wind which go counter to the previous 'heavy' image. General Kris, in his two years as Commander-in-Chief, and in spite of his own well-merited reputation as a 'trading general', is said to have encouraged among senior officers a more professional military attitude—compared with their previous concern for business, politics and profits. A shift of power and influence is also no doubt taking place from the Sarit–Thanom–Praphat succession to the 'new men' associated with the present (ex-military) political leaders—General Pramarn Adireksan, Deputy Prime Minister and Minister of Defence, and his

[3] For example, the defence budget for 1975–76 is up by one quarter, with large increases in internal security provisions; defence constitutes over 15 per cent of the total budget and is second only to the allocation to the Ministry of the Interior, including the police, with nearly 29 per cent; see Kraiyudht Dhiratayakinant, *Business Review* (Bangkok), September 1975.

[4] For example, the King's address of 14 December 1975 urging defence against aggression.

party colleague, General Chatchai Chunhawan, Minister of Foreign Affairs. (This shift should become evident as new officers are promoted to the posts of their seniors due to retire in and after 1976.) Another potential counter-current may also be noted, even if it is one that has often been heralded in the past, but in vain: that is, a bid for power by younger, 'radical' officers (whether 'Nasserists' or 'Brazilians') who are alienated both by the military incapacity and lack of integrity of their seniors, and (as they see it) by the self-serving rivalries and futile politicking inherent in the party system. Finally, on the extreme Right, backed by the nostalgic adherents of the past, whether newly retired or still serving in the armed forces, police and administration, there has emerged a curious patriotic movement known as *Navapol* ('new force'). Reaction to it is ambivalent. While its opponents take it seriously because of its more sinister undercover activities, they also ridicule it for its cloudy, rhetorical, naive pretensions.[5]

(b) *Parties*. Certainly the most evident result of the diminution of the military presence since October 1973 is the apparent shift from 'bureaucratic politics' to 'interest group' politics: I say 'apparent', because the well-publicised role of party politics in debating and even formulating decisions—or at least intentions—tends to obscure the often uncoordinated, haphazard or inadequate execution of these decisions. Indeed, the most serious criticism of the present government coalition, varying from moderate conservatism to the far Right, is that the time and energy spent either on political infighting or on tactical devices to keep the coalition alive are at the expense of grappling with the really deep-rooted problems. These are both political—notably the legacy of arbitrary and unjust authority, reflecting or perhaps distorting the values of a distinctly hierarchical society, and excessive centralization[6]—and social and economic: population growth and migration to the cities; rural poverty, land tenure and indebtedness; unemployment and underemployment; labour relations; and the lack, especially in the countryside, of adequate health, education and welfare. The Government of *momrajwong* Kukrit Pramoj[7] is aware of the need to gain popular support—to bolster the party system against its opponents to the Right and Left—and indeed proposes a better deal for the poor (to remove the threat of rural or urban instability); but the combination of political inexperience, personal rivalries (for positions of power or status) and the diversity of interests represented does not make for efficiency, consistency or solidarity.

[5] See also the extremely perceptive article by Norman Peagam, 'Rumblings from the Right', *Far Eastern Economic Review*, 25 July 1975.

[6] Puey Ungphakorn, formerly Governor of the Bank of Thailand and then Chairman of the Government's Economic Advisory Committee, quoted in *Far Eastern Economic Review*, 18 March 1974.

[7] The Kukrit Government resigned in mid-January shortly before a debate on an opposition motion of no confidence. New general elections will be held on 4 April 1976.

(c) *Business*. The third significant change is the growing importance of business in politics, not just in the traditional way of informal, personal, patron–client relations between leading generals and officials and selected Chinese businessmen, but in a more direct, formal and specific manner. Bankers, industrialists (in private or government-sponsored enterprises) and traders have always been called upon to provide 'subsidies' for politicians and to finance party operations, but businessmen both in Bangkok and the provinces are now taking their place as of right in party politics. This denotes a definite change in attitudes. For business has traditionally been regarded as an inferior or alien activity in contrast to service in the bureaucracy or owning land.

Economic interests are well represented in the present coalition Government. Prime Minister Kukrit, celebrated for his cultural activities, also had interests in publishing, banking and commercial enterprises. His deputy, General Pramarn, President of the Thai Industries Association, had for years worked closely with Japanese firms; he has extensive banking, business (especially in textiles) and publishing contacts. The Agriculture Minister, Thawit Klinpratum, leader of the largest party in the coalition, made his money by transporting supplies to American military bases. The Finance Minister, Boonchu Rojanasathien, a party colleague of Kukrit's, was Executive Vice-President of the important Bangkok Bank.

(d) *Students, workers, peasants*. The final change since 1973 is the emergence of new, hitherto latent or suppressed occupational groups—student movements, organized workers, farmers' associations. These groups are not represented in the parties of the coalition, and are barely represented even in opposition parties of the Centre and Left; but by mobilizing opinion on certain issues they are able to put pressure on, influence or obstruct official policies. The range and intensity of their activities, and their impact on the economic, and hence on the political, scene are one of the major uncertainties facing the Government.

Student unity, so memorably manifested against the former regime, quickly fragmented in the wake of personal rivalries and suspicions, mutual distrust and even antagonism between 'superior' university students and socially 'inferior' technical and vocational students, and the withdrawal of the moderate majority from militant action after the overthrow of the 'three tyrants'. But on issues arousing intense nationalistic emotions—such as Japanese economic domination, American military interference and 'unfair' concessions granted to multinationals—students can be readily mobilized. Further, student activists have been in the vanguard of those seeking to help the workers to unite and, above all, to politicize the peasants—to make them aware of their rights, of the possibilities of action and the political power of organization.

The Government's uncertain handling of economic nationalism—

publicly supported, because it is a popular issue, and privately denied, out of a desire to placate foreign firms and to encourage lagging foreign investment[8]—is also characteristic of its attitude towards the labour movement. On the one hand, trade unions have been legalized, a minimum wage fixed (doubling over the period 1973–5 to 25 baht (US$1.25) a day in Bangkok, less in the provinces), and the seriously understaffed Labour Department has valiantly sought to mediate in employer–employee disputes. On the other hand, the Government is plainly alarmed at the increase in strikes and lockouts: some four times as many in the single years 1973 and 1974 as in the entire period from 1968 to 1972.[9] Workers' demands, understandably given their very low standard of living, are for increased pay, cost of living allowances and welfare benefits. Employers' representatives, however, protest against labour 'disruption'—and the role of students in supporting strikes—which they blame for the present economic stagnation along with the international recession and the events in Indochina.

The situation in the countryside, where over three-quarters of the total population of 40 million live, is potentially the most serious of all. Rural problems, typically, are the result of a high annual rate of population growth (over 3·2 per cent) combined with limited cultivable land: the consequence is fragmentation of holdings, indebtedness, lack of alternative employment, a striking increase in landlessness and tenancy (especially in the Central Plain) and extensive migration (particularly from the impoverished North-East). The notable increases in the production of rice and upland crops (for example, maize, tapioca and kenaf) have been largely due to expansion of acreage—now coming to an end—while yields remain low. The 'green revolution' has barely made its appearance in Thailand; but even if it does, in the absence of institutional reforms, it will benefit the richer and more enterprising farmers—those who have the capital or 'credit-worthiness' to invest in seeds, tractors, water control and fertilizers—at the expense of the growing numbers of landless labourers and mini-holders.[10]

The Government's intentions are to reverse the notorious flow of wealth from the countryside to Bangkok (brought about both by fiscal

[8] Direct foreign investment in the first five months of 1975 dropped by 51 per cent over the corresponding period in 1974: *The Investor* (Bangkok), September 1975. Prime Minister Kukrit announced that he would encourage foreign investment and technology in spite of opposition by activist groups: *Bangkok Post*, 3 December 1975.

[9] *Business in Thailand*, June 1975.

[10] There is considerable inequality in rural Thailand, as in most Third World countries. According to the 1963 agricultural census, the bottom 10 per cent of Thai farmers hold only 1 per cent of the cultivated land, including land they rent, while the top 10 per cent hold 34 per cent of the land: Udom Kerdpibule, 'Distribution of Income and Wealth in Thailand', in Prateep Sondysuvan (ed.), *Finance, Trade and Economic Development in Thailand* (Bangkok: Sompong Press, 1975), p. 300.

policies, such as the 'premium' or export tax on rice, and by the banking network which channels provincial investments into financing construction, joint ventures or real estate speculation in and around Bangkok).[11] Its policies include land and tenancy reforms, inherited from the 1973–4 caretaker Government, the transfer of 5 per cent of bank deposits as loans to farmers and, most dramatically, the handout in 1975 of 2,500 m. baht ($125 m.), to be increased to 3,500 m. in 1976, shared equally among the 5,000 rural commune councils. The reality, however, is that effective land redistribution depends not only on the composition of the committees set up to supervise the reforms—and on preventing too many exemptions from the provisions—but even more basically on proper titles to land, which few Thai farmers possess; that the poorest farmers, needing loans most, are the least credit-worthy; and that the government grants to the communes, although undoubtedly a step in the right direction, are dispersed among units that are too small to use the funds economically. Doubts have also been cast on the reason for the grants (vote-buying) and on the way in which they were spent: dirt roads soon washed away by rain, administrative expenses and over-priced construction material are some of the charges.

External and domestic problems

The two obvious and immediate problems are those of improving and consolidating the political party system, and economic expansion allied to fairer distribution. ('None of the benefits of the industrialisation programme', notes a Thai economist, 'have trickled down to the low income families.')[12] The three major long-term problems—that is, problems which do not have an immediately threatening and dramatic impact but which, if not resolutely tackled now, will result in national crises in the future—are the rural situation (land and people), the ideological, ethnic and regional insurgencies, and uncontrolled urban growth. The final problem—capably handled now but in essence unpredictable—is the external environment.

The changes in foreign policy can be briefly stated. Thailand's realignment[13] makes good sense for two main reasons. First, because the Sino-American rapprochement eliminated the Chinese 'bogey'; Peking could be seen as a 'constructive element' both in the new global balance of power between the United States, China and the Soviet Union and in the regional balance in South East Asia between Indochina and ASEAN. In

[11] For example, the Northern region has only 5·7 per cent of Board of Investment-promoted industries; the Centre region has 82 per cent: Henry Robbins, 'Planning for the North', *Business Review*, May 1975.

[12] Ammar Siamwalla, 'Stability, Growth and Distribution in the Thai Economy', in Prateep Sondysuvan (*op. cit.*), p. 47.

[13] See Victor C. Funnell, 'China and ASEAN: the changing face of South East Asia', *The World Today*, July 1975.

the second place, American inability to prevent the collapse of right-wing regimes in Vietnam, Cambodia and Laos cast serious doubt on the reliability of the US military commitment to Thailand. The Thai Government's pragmatic realignment, based on 'equidistance' from the great powers, reliance on diplomacy and de facto neutrality, necessarily followed. It involved recognition of Peking (although with perhaps too rosy an expectation of what China as a patron can and will do for Thailand); withdrawal of all American troops by March 1976 (though surveillance facilities will remain); friendly relations with the Marxist Government in Cambodia (in spite of nationalist feelings affecting both sides), efforts to resolve tensions with Laos by diplomatic means (although the legacy of close war-time co-operation between former Thai regimes and Rightists in Vientiane is now aggravated by refugees from Laos, and on the Thai side by river patrols, military posturing and, for a time, an economic blockade); finally, an uncertain attitude towards Vietnam: on the one hand, readiness to 'live with' a triumphant Communist regime; on the other, widespread suspicion of 'Vietnamese expansionism' in general and aid to insurgents in Thailand in particular. However, the basis for this suspicion, I would argue, is misplaced; first, because the task of reconstruction and reunification has clear priority in Vietnam; second, because the Vietnamese see themselves as playing for far greater stakes—both in the Third World, by demonstrating a model of progressive economy, and as a reconciling force in the international Communist movement—than could be gained if they were to concentrate on a purely regional role.

To return to the domestic scene. My conclusion is that consolidation of the democratic process is a valid objective in Thailand: that the present coalition Government's irresolution, commercial-militarist orientation, and inability to tackle vested interests do not in themselves negate this objective; that reformism, in sum, is both necessary and possible under Thai conditions—just as reformism was possible in Laos and Cambodia until those societies became fatally polarized by their involvement in the Indochina war and by American intervention.

At present, the expansion, material resources, skills and export potential of Thailand's economy combined with the more open, flexible, differentiated and effective role of 'interest groups' provide a basis for consensus—that is, a measure of mutual benefit—rather than conflict. (This is unlike the situation in Vietnam, where a basis for national consensus did not exist either under the French or under successive Saigon regimes.) But while there is now the opportunity for consensus in Thailand, the question remains whether it will be realized or not.

On the credit side, the evidence of a far more open political process than ever before in Thailand is revealed in at least four different ways. First, representatives of the provinces—ex-officials, businessmen, pro-

fessionals—ignored during long periods of military-bureaucratic dominance can make their voices heard under the parliamentary system; this, too, helps to redress the excessive centralization of authority in Bangkok. Second, the role of intellectuals—ex-students, academics, professional people—has immeasurably increased in party organization and decisions. Third, young, better-educated, more enterprising officials—technocrats, economists, planners, engineers, experts in foreign affairs—have much greater opportunity to assert themselves in times of instability and rapid change when 'traditional' values (conformism, avoidance of initiative or responsibility, deference to superiors, working by rules) become unproductive or irrelevant. Finally, 'new men' of commercial background or experience—again, contrary to Thai tradition—have seized the opportunity of enforced military abstinence to play an active part in formulating policies: these are broad and expansive enough to serve not only their own interests but, to some extent, the interests of other emerging classes.

On the debit side, there is the insecurity, inexperience and unfamiliarity both of members and constituents with a genuine party system in Thailand. Individualism is rampant: 42 parties ran candidates for the January 1975 elections, half of them failing to get a seat; so many parties are formed because each founder would rather be a leader than a follower. Even the successful parties coalesce—or fragment—around personalities rather than issues; they mobilize almost solely for election campaigns and fail in the hard work of preparing and organizing in the period between elections. Most parties—except those headed by generals or prominent businessmen—are chronically short of funds. Above all, there is the depressing experience of the past: on the one hand, the discouraging pattern of parliamentary behaviour observed over and over again—the self-seeking motives, sectional and short-sighted attitudes, weakness, corruption, irresponsibility and an abiding sense of futility; on the other hand, there is the even more depressing behaviour of the military, ever ready to terminate the constitutional experiment before parliamentarians have a chance to learn from their mistakes.

Prospects

In examining the extent of change since 1973, I referred to four main possibilities for the future. To recapitulate, these are, from right to left, reversion to military rule, stabilization around a democratic conservative consensus, a centre-left reformist regime, and revolutionary take-over. The first option, military rule, would almost certainly create more problems than it would solve, both internally, by precipitating strong and probably violent mass reaction, and externally, by antagonizing the Vietnamese (if not the Chinese) by reinforcing their suspicions of Thai military collusion with the Americans. But a return to military rule, if the

party system obviously failed to cope with, for example, prolonged labour and rural unrest, cannot be excluded. It is, of course, the one 'solution' most likely, because of its polarizing effect on the country, to bring about its opposite, revolution.

The difference between radicals and revolutionaries is perhaps more over tactics than fundamentals. Both believe the party system to be a sham, but radical students and workers are nevertheless prepared to take advantage of the freer political climate to pursue their aim of building a mass movement of direct action. The attitude of revolutionaries who are members of the Communist Party of Thailand, on the contrary, is governed by their experience of more than two decades of suppression of open political activities by military-dominated regimes: thus they see themselves more as an armed vanguard of professional revolutionaries, in the Leninist style. Both groups seek to rally the support of the mass of poor people in the cities and in the countryside. Yet both are only too aware, with the grim example of Chile before them, of the likely reaction of the authorities to the 'destabilizing' impact of an effective movement of workers and peasants: however, unlike the case of Chile, Thailand's external environment is hardly favourable to counter-revolution.

There is a further important consideration. The motivation of the present insurgents—peasants in neglected, impoverished areas of the North-East, tribal Meo and Malay-speaking Muslims—given their conditions and expectations is understandable; but this is not—not yet—the motivation of the majority of the Thai people. This, to my mind, indicates the capability of the emerging democratic system—though probably not the capability of the present coalition Government, or one like it—of improving the conditions of the poor without disrupting the social fabric. (Revolution rather than reformism would seem to be in the interests of the mass of poor people—why should a landless labourer object to co-operatives?—but it is the sheer cost of carrying it through which is the great deterrent.) But this capability of improvement is also a diminishing asset, as insurgency, rural and urban problems mount in size and intensity.

Finally, of the two moderate tendencies, conservative democracy is more likely to become established than reformism, at least in the short term. This is partly because the former is acceptable to entrenched 'traditional' military and bureaucratic elements; partly because it serves the interests of the 'new commercialism'. But if, either through unwillingness or inability, it fails to overcome powerful attitudes and interests impeding a solution of the rising agrarian, urban and insurgency problems, then conservative democracy is likely to yield, sooner or later, to one or other of the extremes.

Cambodian National Union — a milestone in popular front technique

ROGER KERSHAW

Prince Sihanouk has made a vital contribution to the overthrow of the old order in Cambodia, but the monolithic Communist movement has shared none of its power with him.

AFTER April 1975 it was no longer possible for a Western journalist to enter Cambodia, but even before the fall of Phnom Penh the Western Press was not free of some apparent misconceptions about the nature of the Cambodian United Front—misconceptions which may stand as a caution to all 'watchers' now that the whole country is curtained from view.[1]

A central tenet of much newspaper writing about 'FUNK'[2] was its supposedly tripartite composition. The consensus view was that the first component of up to 6,000 original Khmer Communists, who owed their existence to the Vietminh's Cambodian strategy from 1946 to 1954, had departed for Hanoi after the 1954 Geneva Agreement.[3] Commentators disagreed about the precise number of Khmers going to Vietnam, but

[1] Despite these comments the writer's debt to Western reporting of South-East Asia is substantial. Also, he was enabled by the kindness of Dick Blystone and Denis Gray of Associated Press to accompany a team from Bangkok to the refugee camps of Aranyaprathet, Nam Pong Rorn (Chantaburi Province) and Khlong Yai (Trat) in August and to gain access to radio transcripts.

[2] Front Uni National du Kampuchea, or, in Khmer, *Renasa Ruab-Ruam Chiet Kampuchie.* The Front dates formally from Sihanouk's call to resistance on 23 March 1970. The idea of 'national union' is explicit in the French title of Sihanouk's Government since March 1970: Gouvernement Royal d'Union Nationale du Cambodge ('GRUNC') or, in Khmer, *Riech-Rodtha-Phibaal Ruab-Ruam Chiet Kampuchie.*

[3] E.g. Spencer Davis, *Far Eastern Economic Review*, 28 March 1975, p. 11, refers to 'the so-called Hanoi 6,000'. Jacques Decornoy, *Le Monde*, 16 April 1975, estimates 'quelques milliers peut-être'. But our principal authority on the military history, Maurice Laurent, *L'Armée au Cambodge et dans les Pays en Voie de Developpement du Sud-Est Asiatique* (Paris: Presses Universitaires de France, 1968), p. 290, doubts whether there were more than 2,500 Khmers in the Communist forces, armed or auxiliary. The Prime Minister of the time, Penn Nouth, said that many 'Khmer Vietminh' had formally rallied to the Government, and that only 2,500 Vietminh (let alone Khmer Vietminh) left the country. Even journalists agree that there were enough stayers to continue political activity through Pracheachon ('The People' party). The reality of such a 'Hanoi faction', becomes especially problematic when one finds the name of Ieng Sary associated with it. Far from fighting with the Vietminh, he was active in the nationalist opposition to Sihanouk in about 1952 and then reportedly left for France. Despite suggestions of a Vietnamese origin Ieng Sary's background is Khmer Krom of Cochinchina—no less Khmer than the right-wing Son Ngoc Thanh!

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the possibly mythical 'March to Hanoi' had sealed, for them, the Vietnamese orientation of this first group of Cambodian Communists. It was also widely believed that these early Communists had maintained their cohesion as a group because of their common inspiration; they were supposed to have returned at the latest in 1970.

A second group was purportedly launched when the three French-educated Marxists, Khieu Samphan, Hu Nim and Hou Youn, who tried to work within Sihanouk's political system in the 1960s took to the maquis in 1967 for fear of liquidation. Their followers were thought to constitute a distinct entity in the fighting forces of FUNK after 1970. It was generally surmised that after the victory there would be a period of 'in-fighting' to settle the issue of supremacy between FUNK's three component factions (the third group being the followers of Sihanouk) and the 'long silence' after the fall of Phnom Penh was attributed by several observers to disorganization attendant upon an internecine struggle. A well-known British commentator on China and South-East Asia had spoken early in April of 'the lack of efficient control and an undisciplined and wanton cruelty' in the FUNK ranks.[4] But the very first hours after the conquest of Phnom Penh revealed a high degree of organization and good planning, at least on the part of the Communists. The cruelty was far from undisciplined, while the 'silence' of Phnom Penh was only relative to the intensive news flow before the filing and wiring had to stop. The guiding principles of the regime—an independent communistic society upheld by the poor masses—were announced within a few days, and Phnom Penh showed in its handling of the Mayaguez incident, and in its immediate denial of Thai reports of Cambodian pressure to adjust the Thai border, that it was not only receiving outside communications but was able to respond to them with rapid decisions and to broadcast these to the exterior. Indeed, the military strategy of the closing months of the war had been most impressively planned and executed.

Vietnamese role

Before assessing the role of Sihanouk and his followers, the true significance of Vietnamese Communism in the development of FUNK should be discussed. The journalistic consensus assumed pluralism within the Communist ranks, supposed to be a product of variations in the formative experience of the Communist leaders. But the Vietminh, even if it left behind a few local Vietnamese and Khmer cadres in 1954, did not leave a fighting force, and the Vietnamese seemed careful *not* to give assistance to the 'second wave' rebel groups between 1967 and 1969 for fear of alienating Sihanouk or giving political ammunition to the Cambodian right wing.[5] Nevertheless it was the Vietcong and the North Vietnamese Army

[4] Richard Harris, *The Times*, 4 April 1975.
[5] The case is argued by J. L. S. Girling, *Asian Survey*, July 1972; pp. 557–8.

which from 1970 brought to an end this condition of ineffectiveness (characterizing both earlier insurgencies) by driving away the government presence in the east and north-east and then sending in armed propaganda teams to set up revolutionary committees and fill the political vacuum. The revolutionary army which came slowly into being was the first of its kind in Cambodia and utterly overshadowed its forerunners in numbers, equipment and geographical scope. It soon developed a Khmer spirit and identity, partly by the infusion of existing Khmer Communist cadres.[6] It is unlikely that the Vietnamese would have been able to foster a client group within the Khmer revolutionary forces, even if some old-timers with Vietnamese associations were active in the new structure. Chinese agents would certainly have kept a close watch on any such development. It may even be questioned whether it would have been in the interests of Hanoi at that stage to weaken the prospects of a FAPLNK[7] victory in this way. If division among the Khmer Communists ever existed, it is perhaps surprising that it did not find expression before or after 1970 in an ideological dispute.

The evidence at our disposal today points not only to a unified party but also to a monolithic front. Until the bitter end—and even after it—there was a widely shared assumption that the Sihanouk faction constituted a discrete element in the revolutionary forces; and there was confusion when it transpired that the 'liberators' of Phnom Penh all called themselves 'national' and yet were clearly operating under Communist direction.[8] But the Western press had never explained who the Sihanoukist field commanders were supposed to be, or how they could have deve-

[6] See David E. Brown, 'Exporting Insurgency: the Communists in Cambodia', in Joseph J. Zasloff, Allan E. Goodman (eds.), *Indochina in Conflict: a Political Assessment* (Lexington, Mass.: Lexington Books, 1972).

[7] Forces Armées Populaires de Libération Nationale du Kampuchea, or, in Khmer, *Komlang Aawuth Brachiechun Rumdogh Chiet Kampuchie* (*Rumdogh* for short). *Rumdogh* ('rumdos' in the non-phonetic spelling), which means 'liberation', 'liberate', was given a strong national connotation by FUNK (hence in part the confusion discussed in the next paragraph). In logic, of course, the unity of *Rumdogh* could be due to the triumph of a 'Hanoi faction' over the others. Such an interpretation would come close to the insights of Dennis J. Duncanson, *The World Today*, June 1975, pp. 226–7. Few today would deny that the Cambodian Communist Party started life as a branch of the Indochina Communist Party, perhaps as early as 1951. The relationship can be deduced from Wilfred Burchett, *Second Indochina War* (London: Lorrimer Publishing, 1970), p. 39. Of great interest too is Patrice de Beer's report of a flag-raising ceremony at Battambang on 30 September 1975 (*Le Monde*, 8 November 1975) to celebrate the 24th anniversary of the Cambodian party—from which one might infer Cambodian Communist dependence as well as autonomy.

[8] One of the early sources pointing to the existence of Sihanoukist troops (12,000 of them) was T. D. Allman, *The Guardian*, 20 August 1971, who quoted, in turn, American intelligence. As late as March 1975 the *Far Eastern Economic Review* argued that Sihanouk was still in a position to influence the policies of the Communists (see 14 March 1975 Editorial, p. 9). But no actual troops were mentioned and it seemed, in fact, as if it were up to Dr Kissinger to give him credibility in the eyes of the Communists by opening a dialogue with him!

loped and maintained a semi-autonomous presence within an army which depended mainly upon Communist powers for its weapons supply. Certainly in the early days of the war the name of Sihanouk was invoked by the revolutionary cadres a great deal and nationalism was a vital symbol throughout the conflict. In this sense almost the whole army was in some degree 'Sihanoukist'. But the only identifiable Sihanouk *faction* was outside the country in Peking. The left–right division in the Front thus had substance only at the level of 'Interior' versus 'Exterior'. Any Cambodians of firm pro-Sihanouk conviction—progressive nationalists or even royalists—who joined the fighting resistance must have been objects of intense suspicion, as was the urban and reputedly pro-Sihanouk population that was cleared from the cities and towns when the Republic fell. The report from Sihanouk's aides who visited the 'Interior' in September was that their home-based counterparts had vanished.

Sihanouk and the collapse

While the name of Sihanouk probably faded gradually from the active vocabulary of cadres in the FUNK-controlled zones, it remained a dynamic factor for the eventual collapse of the Republic. Foreign eye-witness accounts of the fall of Phnom Penh, and the reports of refugees in Thailand, spoke of a wave of popular relief mingled with rapture as the revolutionary troops entered the towns. Sihanouk had not merely lent his name to the insurgent cause but had incessantly proclaimed the moderate, nationalist, essentially progressive and not in any sense Communist character of the Khmer Rouge. In any case FUNK's programme was quite explicit about the 'preservation of political liberties'. Not only civilian attitudes but the army's fighting spirit had been affected. In the final hours of the war there were massive defections of troops. Some officers and other ranks at Ream naval base, for instance, isolated from the fighting, celebrated the coming of peace on 17 April until, around mid-day, navy headquarters, Phnom Penh, signalled that the Khmer Rouge were rounding up all the officers. Subsequently contact was lost, but at 9 p.m. 30 per cent of the base rejected flight when the commander offered them the opportunity.

On the other hand, many hundreds of army officers and soldiers who flocked across the northern border into north-east Thailand, and officers from Kompong Som who fled to Khlong Yai, were clearly afraid of a Communist policy of bloody retribution. Several journalists have pointed out that such fears were no proof of a bloodbath after 17 April. Perhaps not (despite much evidence from post-April refugees to the contrary), but they showed that the Communists' wartime policy of extermination was well known in the more vulnerable circles. What is remarkable about the Cambodian case is not that large numbers of officers fled but that so many did not. On the whole, there was considerable confidence among both

officers and civilian officials of the Republic that national reconciliation would be the order of the day. The emphasis on highly selective retribution in Sihanouk's propaganda was skilfully calculated to isolate the top Republican leadership from the second echelon and to give the latter a reason for viewing a FUNK victory with some equanimity.[9] In Pailin on 19 April, FUNK called on the police and army officers to report to the civic centre for a meeting to welcome Prince Sihanouk. There were only 20 FUNK personnel in the town and the Thai border is not further than a day's march, but the refugee interviewed by the author said that all the officers reported and were then taken away. Further north, at the border town of Poipet, the district officer was apparently still at his post on 19 April, and on 1 May a group of 15 government officials in the same town accompanied Communist officers without coercion to an execution party, believing that they were bound for a meeting with representatives of the new regime at Battambang.[10] Eighty-eight Cambodians, mainly air-force personnel, returned joyfully to Cambodia from the American airbase at Utapao on 30 May: they, and a second batch of 250 returnees, were reported by later, civilian refugees, to have been executed.[11]

Civilian officials, of whom there were relatively few in the refugee camps, stressed that the usual motive for flight had been fear of a period of anarchy during which civil servants would be at the mercy of ill-disciplined boy soldiers or persons with a grudge. The situation was expected to be stable within a month or two, enabling the temporary exiles to return to their posts. Life in the pre-1975 'liberated zones' was known from the reports of internal refugees to be harsh, regimented and collectivized. But trust in the healing power of common nationality, in the Front's need for popular unity in pursuit of reconstruction and in the reconciling influence of Sihanouk prevailed over suspicion.

The great majority of refugees entering Thailand from May onwards did so because of what they had experienced at the hands of the Com-

[9] For some years Sihanouk proclaimed his intention to hang seven 'super-traitors'; lesser leaders and servants of the regime were reassured. But ominously, in March, the list of named 'war-criminals' was extended to 21 (*Le Monde*, 2 April 1975), subject to further additions. In a recent interview (*ibid.* 11 October 1975) Sihanouk expressed satisfaction that the 'clean-up' was in fact total. On the mixed expectations of officers and officials before the collapse, see Martin Woolacott in *The Guardian*, 3 April 1975.

[10] *The Times*, 7 May 1975.

[11] *Bangkok Post*, 24 and 26 June 1975. *Le Monde*, 29 April 1975, carried reports of merchants and influential bonzes being executed. A careful analysis of refugees' evidence of executions was done by Denis Gray of AP (see *Bangkok Post*, 25 June 1975). Everything points to a policy of countrywide application. But the journalists who were evacuated from Phnom Penh by road to Thailand on 30 April tended to conceive a 'bloodbath' in the form of a wild slaughter of innocents in the streets of the capital. Since no such thing happened they reserved their censure for the mass evacuation and treated tales of executions with the utmost scepticism. Patrice de Beer (*Le Monde*, 8 November 1975) does not now deny that Republican officers were hunted out, but seeks to excuse FUNK excesses by reference to American bombing.

munists in newly 'liberated' areas, not because of mere assumption or suspicion. Some of them were urban dwellers and dispossessed shopkeepers but most were peasants.[12] Thailand's estimate of Khmer refugees by last September was 13,126. It is impossible to do descriptive justice to the Cambodian revolution in a few short paragraphs: its speed, its thoroughness, its relentless absolutism tax one's concepts and vocabulary to the limit. But the Western mind is at ease with the notion of forethought and planning, and these were, to this observer, striking aspects of the revolution.

Class extermination

The attempted extermination of the whole of the Republican officer corps and their wives, and at least a part of the old bureaucracy and bourgeoisie, bears, in the manner of its fulfilment, the marks of a preconceived design. Planning was apparent (though the witnesses tended to overlook it) in the ceremony of 'rallying' (not 'surrender') of the highest government personnel in Phnom Penh; this was conducted for the benefit of the Western press on the afternoon of 17 April, whereupon the prisoners were transported to an unknown destination while the journalists were confined to the French embassy until 30 April. There can be little doubt that the evacuation of the urban populations to the rural areas was also carefully thought out, primarily as a means of control. It began in Phnom Penh on the afternoon of 17 April and in Ream the following day. Poipet was apparently evacuated by the 24th, Pailin received the order between the 26th and 28th. On the routes out of Phnom Penh there were transit centres.[13]

There does not seem to have been any intention, at least in the early stages, to break up village communities as a matter of principle; indeed, those among the Phnom Penh population and (to our personal knowledge) residents of Kompong Som who were refugees from Communist zones occupied earlier were directed to return to their native areas. The priority of the authorities in newly controlled villages of Battambang province was to ensure that no one ran away. Peasants appointed to head a production squad were eliminated if any of their team absconded. Village communities which had not been broken up by the war were apparently considered viable both as units of agricultural production and for political control. By contrast, urban communities were looked upon as unproductive, parasitical and impossible to subdue if left intact. Urban

[12] The author had conversations in French with a number of refugee officials and officers and was able to tape-record (in Khmer) the recollections of a miner from Pailin, a naval rating originally from Svey Rieng, a Sino-Khmer shopkeeper from Ream, an intelligent peasant from the Siemreap district and a young woman originally of Phnom Penh, who was apparently in Pailin at the end of the war with her husband. All this material has been translated by a Khmer friend in England.

[13] *Le Monde*, 10 May 1975.

Cambodians have suffered the most savage hardship because they were uprooted from their families and communities and often set to work on jungle clearance, which is strenuous even for a peasant. In newly controlled areas of west Cambodia, peasants and city dwellers alike were slowly starving in the months before the November harvest as the soldiers drove them to ever greater effort on an ever decreasing diet of rice and salt. Fear of death by hunger was the typical motive for flight among the post-April refugees, reinforced at times by fear of arbitrary extermination by soldiers.

Observers sympathetic to the new regime point out that there was a genuine shortage of rice at the end of the war to justify draconian measures. But the urban population could have been fed provisionally from abroad, as under the Republic; nor is it clear how much this horde of sickly, frightened people can have contributed to food production. At this juncture the argument usually made is that the Khmer Communist movement has a not entirely irrational belief in the necessity of agricultural self-sufficiency as a basis of national independence and a source of internal capital for ultimate industrialization. In practice, however, Cambodia's industrial capacity is already close to full restoration thanks to a vast input of Chinese capital and technical personnel. There is no postponement, let alone rejection, of industrialization as such. The de-urbanization of the urbanized was essentially a measure of control—though no doubt legitimated for many Communists by a sense of the corruption of urban life under capitalism.[14]

Some say that the Khmer Rouge took so few chances because they felt insecure; but there is little reason for any such feeling now that the measures have taken effect. One may wonder, therefore, whether the myth of National Union under Sihanouk's leadership continues to serve any useful purpose. At best the Cambodians will regard him as a dupe, at worst as a traitor; worse still, some might forgive him and look to him as a new resistance leader. But Khieu Samphan, Prime Minister of the 'Interior', made a pilgrimage to Pyongyang last August seemingly to persuade Sihanouk to stay in the fold as Head of State, and Sihanouk visited Phnom Penh briefly in early September as part of the bargain. The first question to be asked concerns the nature of the co-operation sought by the Communists. The second question is whether Sihanouk's physical return to Cambodia was desired by FUNK or demanded by the Prince as the price of his co-operation. The visit was so short and so

[14] This was confirmed, perhaps unintentionally, by Ieng Sary in New York (*Le Monde*, 2 September 1975) when he spoke of a CIA plot to foment disorder as part of the rationale for the evacuation of Phnom Penh (the other reason given was the danger of starvation). If the politically necessary destruction of urban life has its moral aspect, so does the killing or psychological destruction of the educated (whose qualifications are both dangerous and wrong) and the rejection of Western medicine (on which, contradictorily, both the physical vigour and the moral turpitude of the city dweller seem to depend).

tightly supervised that it looked like a mere token gesture from the Communist side, not connected with the exploitation of Sihanouk's name and presence for purposes of internal legitimation. It remains to be seen whether Sihanouk's latest visit is of any longer duration. Meanwhile the Prince may retain some value for the Communists as a roving ambassador. They know him as a suggestible and obedient publicist. His recent statements have come up to their expectations; he has extolled the virtues of Khmer Communism as lyrically as he once assured us that 'his Communists' were no Communists at all. But did Sihanouk renew his compact with them simply in return for that short and undignified visit, during which he was not even allowed to lay his mother's ashes to rest at Angkor?

The role of China

Sihanouk thinks of himself as a patriot—or, as Cambodians say, '*un nationaliste*'—and it will have been necessary for Khieu Samphan to persuade him that at least something in the Communist programme was consistent with his old principles. The idea of a 'progressive but not Communist' transformation of Khmer society had been rudely shattered, but there remained Sihanouk's goal of national independence from Vietnamese hegemony. His old friendship with the late Chou En-lai looked beyond the simple prophecy of the triumph of the Communists in Asia to the survival of national sentiment in a Communist guise and the possibility of mobilizing Chinese national interest against Vietnamese expansionism. In 1970, after Sihanouk's overthrow by his 'national bourgeoisie', China became the principal international advocate of the Cambodian United Front, with Mao's personal blessing. Since the fall of the five-year-old Republic, the Chinese presence in Cambodian affairs has remained conspicuous, starting with the arrival of Peking's Boeings at Pochentong airport on 24 April, and subsequently revealed in the form of large-scale technical and monetary support or in the close contacts between the Khmer delegation and the Chinese chargé in Bangkok in October. The new Cambodia has sailed with the Chinese wind from the start. Phnom Penh welcomed the reciprocal recognition by China and Thailand in July and sought to reassure the Thais that it would not be a satellite of Hanoi. The recognition of Thailand last October was the first act of its kind by the new Government towards a non-Communist state. It was not vital for purposes of trade (Thailand being eager to satisfy Cambodia's economic needs) and contrasted with the attitude of Hanoi which adamantly refused to recognize Thailand until all American forces are withdrawn.

There is of course no known reason for describing relations between Phnom Penh and Hanoi as 'cool'. A delegation of the 'Vietnamese Workers' Party' last July was the first such party delegation to visit

Cambodia from any country, and a North Vietnamese embassy opened in Phnom Penh in mid-September, only a few weeks after the Chinese. Nevertheless, in symbolic as well as in practical ways, the Cambodian Government has asserted its will to keep its distance from Hanoi and the Soviet Union. The continuity with Sihanouk's former doctrine is obvious, though the epithet 'neutralist' is out of place now that Cambodia is in the Communist camp. Sihanouk's decision to continue as Head of State must have been encouraged by his friendship for Chou En-lai, invoked at their meeting in Peking shortly before his return to Cambodia. Given the Prince's sincere identification with China, he would make an ideal advocate of the common line on 'social imperialism' worked out independently, a week earlier, between the Cambodian delegation to Peking and the Chinese Government. The latter, with a milliard dollars to spend, was also in a position to overcome any reluctance of the Cambodian Communists to accept Sihanouk.[15]

Under the new Constitution announced on 5 January this year, the days of the Royal Government of National Union seem to be numbered, but 'national union' may continue for a period as an informal device of international legitimation, with the People's Republic of China now sharing in the benefits of residual royal charisma. As of late August *The Times* continued to see a division even in the 'Interior' Government, between Khieu Samphan—'non-communist and non-aligned'—and a 'communist and pro-Vietnamese' faction of Ieng Sary and Son Sen.[16] Yet Cambodia's pro-China line has been pursued with no less vigour since Ieng Sary's assumption of the Foreign Affairs portfolio in mid-August. Popular fronts have their international uses at all times, for liberal ideology will always respond to signs of pluralism on the left and may persist in perceiving it even when the evidence is flimsy. The interaction between Sihanouk and Western opinion may remain an interesting case study in this regard. More fundamental than this, Cambodian National Union under royal sponsorship has, over the past five years, brought feudal and revolutionary elements together in a victorious combination not foreseen by Lenin's schema for revolution in the East.

[15] On Chinese loans and grants to Cambodia see *Le Monde*, 13 September 1975. On Chou En-lai's possible influence on the Cambodian Communists see David Bonavia, *The Times*, 21 August 1975.

[16] 'Indochina after the wars' (Editorial), *The Times*, 26 August 1975.

Cyprus: problems of recovery

NANCY CRAWSHAW

HOPES of a settlement in Cyprus have again been raised. The two Cypriot leaders, Mr Klerides and Mr Denktash, are shortly expected to resume the talks which were broken off last September. No solution, however, is likely without territorial concessions from the Turks which would enable a large number of refugees to return home.

The Turkish invasion of 1974[1] resulted in the immediate displacement of about 160,000 Greeks who fled from the occupied northern zone, and of a further 40,000 either because their homes were too close to the Turkish army's lines for safety or their work had become inaccessible. The refugees remain the Cyprus Government's greatest single problem. Population density in the south has doubled. Their presence impinges upon every aspect of life: the dangerously congested roads; the severe pressure on housing, water supplies and sewerage. About 100,000 are crammed into the houses of relatives and friends; 18,000 face the rigours of a second winter under canvas or in shacks. The vast majority had to abandon all possessions and are dependent on government aid.

The camps are to be abolished as soon as possible. Temporary housing units which can be expanded on the return of normal conditions are under construction. The Cyprus Government hesitated at first to use deserted Turkish houses fearing that such action might be interpreted as an acceptance of the confiscation of Greek property in the north. And refugees who moved in on their own initiative were made to leave. But a committee was recently set up for the controlled allocation of Turkish property and the collection of rent to be held in trust for the owners. Despite miserable living conditions the morale of the refugees is high; there is no lack of resourcefulness and the demand for work is insatiable. Everything is done to sustain activity even to the extent of sponsoring non-profitable projects such as tree planting in the towns. Rehabilitation, however, is complicated by the people's reluctance to move far from their own villages which, in the Famagusta area, they can see from the camps. Proximity to their homes creates the illusion of certainty to return.

The problem of the refugees is inseparable from that of economic revival. The Cyprus Government is confronted with excess population in an area which is less rich in resources than the north. The Turks control 82 per cent of the citrus output in Cyprus, almost all the cereal producing

[1] See W. M. Hale and J. D. Norton, 'Turkey and the Cyprus crisis', *The World Today*, September 1974.

Mrs Crawshaw, a writer on Greek and Cypriot affairs, has recently returned from an extended visit to Cyprus; author of *The Cyprus Revolt: an International Dispute, its Origins and Aftermath, 1940–1960*, forthcoming.

plain of the Mesaoria; factories accounting for 26 per cent of total manufactured output; the main tourist centres of Famagusta and Kyrenia which attracted 75 per cent of foreign hotel visitors; raw materials; land and fixed assets in which Greek investment is valued at £C2·5 billion. The drop in production, the disruption of normal trading patterns have necessitated a drastic reorganization of the economy and revision of the 1972–76 Five-Year Plan.[3] The immediate aim is to create employment for the maximum number of displaced persons (DPs) and to offset the lost production in basic foodstuffs and raw materials. Over-full employment existed before the war. Registered unemployed now total about 25,000. To absorb them as well as the unregistered and underemployed an official estimated that about 70,000 new jobs are needed.

The most is being made of opportunities overseas. Several thousand Cypriots are working in Bulgaria on contracts which permit their return to Cyprus at short notice should the Government need their labour. Cypriot contractors, engaged in important projects in the Persian Gulf, have taken local workers with them. Their remittances help the balance of payments. The private sector is being encouraged by government loans; priority is given to labour-intensive schemes with quick returns such as the cultivation of early fruit and vegetables for markets abroad. Government projects include the development of co-operative farming in the Paphos District and a five-year reafforestation programme at an estimated cost of £C2·5 m. Eighty-three square miles of state forest were destroyed by Turkish incendiary bombs on the Greek side alone. Work began immediately after the first invasion in a race against time to extract burnt timber for commercial use before it became damaged by wood-boring insects. Thanks to the drive and skill of the Forestry Department the task, which has involved cutting new access roads deep into the forest, is expected to be completed in the brief space of two years. The need for extra labour has created jobs for displaced farmers and villagers, some of whom may be able to find permanent careers in forestry.

The Turkish sector

The Turkish Cypriots form only 18 per cent of the population. The occupied zone proved too large for them to manage and the administration broke down. Economic stagnation followed in the wake of military conquest. At the time of the harvest no more than 25 per cent of the land was under cultivation. The destructiveness of the Turkish army militated against the Turkish Cypriots whose interests it came to protect. With the connivance of the officers, Greek houses intended for the use of Turks from the south were stripped bare. The Turkish Cypriots, long resentful

[3] Republic of Cyprus. *Emergency Economic Action Plan 1975–1976* (*Revision of the Third Five-Year Plan*), Planning Bureau, Planning Commission, Nicosia.

of the economic deprivation they have suffered at the hands of the Greeks, joined in the looting, in some cases in order to replace goods removed by their kinsmen to the mainland.

The Turkish sector is still on a semi-war footing. Martial law is in force. Security, to the detriment of economic recovery, is the overriding preoccupation. This situation is not likely to change before there is a settlement. The remaining 10,000 Greeks, most of whom are in the Karpas, live under strict surveillance, need permits to cultivate their fields, can only communicate with relatives in the rest of Cyprus through the International Red Cross and have to rely on a weekly delivery of food rations by the United Nations Force in Cyprus (UNFICYP) owing to restrictions on trade and movement.

The Turkish Cypriot administration over the past year has largely been taken up with the resettlement of 60,000 Turks who have migrated from southern Cyprus to form an all-Turkish zone in the north. The problem of co-ordinating skills, jobs, houses and schools explains the paradox of an acute manpower shortage side by side with unemployment. Like the Greeks, the Turks have experienced a major social upheaval and often describe themselves as 'refugees'. The difference is that the Turks accept the situation as permanent, while the displaced Greeks believe their plight to be temporary. Many have left behind land that their families have owned for generations. But the sacrifices, and the difficulties of the new life, are seen to be essential in the interests of future peace and security.

The Turkish Cypriot economy had been bolstered by stores belonging to the Greeks. Most shops were well stocked at the time of the invasion. In Famagusta the Turkish army enforced strict discipline for several months. But by the autumn of 1975 large quantities of Greek goods, held in the port's warehouses, had been systematically removed. As the sources of looted goods have dried up the need to increase production has become more urgent. Growing dependence on Turkey is a disturbing feature of the present situation. The Turkish lira has been legal currency since February and may well become the only currency. Turkey absorbs at present 70 per cent of produce from the north, which under normal conditions could have been sold more profitably in the south. Before the invasion the island was self-sufficient in fruit and vegetables but these have had to be imported, at greater cost, from the mainland. The Turkish Cypriots have suffered from bread and sugar shortages, and were recently granted a loan of $10 m. by Turkey for the purchase of essential imports. In the past tourism was one of the main sources of the island's foreign exchange, but the Turks are new to this trade and almost all the tourist hotels are Greek-owned. The Greek Cypriots have warned the leading package-tour agents that if they use these confiscated hotels they will be prosecuted, black-listed and deprived of the right to operate on the Greek

side. Trading difficulties have also arisen in the marketing of oranges. Greek owners of orchards in the Morphou area, now under Turkish control, took out a court injunction which led to a suspension of further imports by traders in Britain. Since no trader wants to become involved in disputes about ownership, there is the risk that legitimate exports will also suffer.

All Greek property has been confiscated and taken over by the Turkish Cypriot administration. The Turkish Cypriots regard this outright expropriation as the compensation due to them for the destruction and looting of Turkish property by the Greeks during outbreaks of communal strife between 1963 and 1968 and for their exclusion by the Cyprus Government from all development aid over the past eleven years. The Turkish leaders contend that the necessary adjustments can be made on a reciprocal basis as part of the general settlement. Balancing the accounts to the satisfaction of the aggrieved parties, however, is likely to prove one of the most intractable problems in any negotiations.

The Turkish community is weakened by the existence of three political parties with widely divergent views. Progress is also hampered by the need to refer decisions to the Turkish army. Northern Cyprus, for the purposes of administration, is completely separate with powers to ban or facilitate entry into the north, with its own postal services, and direct air and sea links with the outside world via Turkey. Nevertheless in the long term a political settlement is as important to the Turkish Cypriots as it is to the Greeks. The economic isolation of the north is due on the one hand to the security barriers which prevent normal trading throughout the island, and on the other to its anomalous status. Far from providing a solution, a Unilateral Declaration of Independence (UDI), threatened from time to time by the Turkish Cypriot leader, Mr Denktash, may be seen as a gesture of despair which can only finalize Turkey's assimilation of northern Cyprus. For recognition is not likely to be forthcoming except possibly from a few Moslem states. UDI would therefore do no more than formalize the present position and force the Western powers to take a stand which could well result, if the Greeks had their way, in economic as well as political sanctions.

Agricultural output in the Turkish sector is expected to improve as planting gets under way and the Turkish Cypriots from the south become better organized to fill the labour gap. But Cyprus is essentially a single geographical and economic entity and its full potential can only be realized by the pooling of resources and the interchange of produce between the regions. The absurdity of economic separatism can be illustrated by the closure last year of canning factories in the south while the fruit, previously available for processing, rotted for want of labour in the north. The suspension of Nicosia's first class international airport for political reasons is costly to both sides in the lengthening of runways and

the construction of new installations on separate makeshift airfields. Both sides lose revenue owing to the restrictions on movement across the border. The Greeks were the first to declare all Turkish ports as illegal points of entry and to refuse access to travellers who had entered by this route. The Turks eventually retaliated by restricting the movement of visitors who entered Cyprus on the Greek side.

UN resolution

The prospects for a settlement have not been improved by an embittered debate[3] on Cyprus in the UN General Assembly last November. The Assembly adopted a resolution[4] containing two highly controversial demands: the withdrawal without delay of all foreign armed forces in Cyprus and the return of all the refugees to their homes in safety. The only basis for common ground was the call for the resumption of intercommunal talks. Adopted by an overwhelming majority, the resolution was surprisingly supported by Britain but not by the United States, which abstained. Short of a new war in Cyprus—this time one in which the Greeks were victorious—the purpose of the resolution in full cannot be attained. Even allowing for the fact that United Nations resolutions are not enforceable, the text as it stands can only increase the misery of the refugees by raising false hopes and encourage the Greek extremists. The removal of all foreign troops, even if matched by the disbandment of the Greek National Guard, which Makarios has suggested, would still leave the Turkish Cypriots exposed to attacks by armed bands on a population basis of four to one. Past experience has shown that the UN cannot provide protection in the event of any large-scale attack. This is the crux of the security problem as far as the Turks are concerned.

The demand that all the refugees should return to their villages is equally unrealistic. For the same security reasons the Turks are not prepared to risk the formation of subversive groups in the north by allowing Greek Cypriots to return to the area which is finally to remain under Turkish control. These fears which may sometimes seem exaggerated are nevertheless based on experience and go back to the EOKA rebellion against the British. They can with reason point to the fact that the Greek Cypriots have still done nothing to bring their own subversive groups to trial and that Nikos Sampson, involved, among others, in the coup d'etat of July 1974, remains at large.

Any Turkish concessions which can ease the refugee problem will have to take the form of a withdrawal to a smaller area. The fact that Turks from the south have been extensively settled in Morphou makes it less likely that this town will be returned as originally hoped. But a with-

[3] UN docs., Item 125.GA(XXX) APV/2401, APV/2404–2407, APV/2411 and APV/2413.

[4] *ibid.*, GA Resolution 3395(XXX).

drawal from the southern Mesaoria and the Greek sector of Famagusta, which the Turks have sealed off but not occupied, would enable about 50,000 people to go home. Up to now the refugees have been chiefly concerned with the day-to-day problems of existence. The political parties have refrained from campaigning in their midst and elections have been postponed. A situation in which thousands of Greeks are permanently deprived of their property is nevertheless potentially explosive. The Turks by concentrating in a smaller area more appropriate to their size in the population would be in a better position to manage their economy and to consolidate their security. The way would be paved, moreover, for the eventual reintegration of the island, at least at trading level.

The best hope for a settlement lies in the acceptance by the Greeks of a biregional system in exchange for major territorial concessions on the part of the Turks. Some Greeks, however, insist that the problem must be solved on a multiregional basis; but this opportunity was lost during the negotiations between Klerides and Denktash from 1968 onwards when the Turks were negotiating for autonomous zones. It is wishful thinking to assume, as many Greeks do, that the Turks who have left the south will eventually return to their own villages of their own volition. For any mass return would run counter to official Turkish policy of establishing once and for all a homogeneous Turkish zone. The Cyprus Government was not able to prevent its formation and finally had to give way and allow the Turkish Cypriots to move north. Now that the zone has been created, it is important that it should be primarily reserved for the Turkish Cypriots. Attempts to fill up the empty spaces and to overcome the manpower shortage by settling Turks from the mainland will introduce new tensions and weaken the chances of a political settlement.

The alternative to a settlement is an indefinite stalemate, in which case the outlook for the Turkish Cypriots is bleak. For northern Cyprus is likely to remain a military backwater of Turkey, where economic growth and living standards lag far behind the rest of the island. Some Greeks consider the present situation preferable to a solution based on a weak federal government which would leave the Turks in absolute control of a large area of northern Cyprus. The efficiency of the civil service ensures the smooth working of the administration even under present adverse conditions. The Cyprus £ is strong; inflation is under control; international loans are readily forthcoming for development. At the present rate of progress, short of any new political folly, the Greek Cypriots can be expected to have recovered much of their former prosperity in a few years. President Makarios and other leaders are, moreover, spared the embarrassment of having to reverse their stand on the return of all the refugees to their villages in the north. The dangers of the continuing stalemate, however, should not be underestimated with the risk, ever present, of a new and wider conflict involving Greece and Turkey.

Soviet grain harvest and imports in perspective

JOHN A. SLATER

'The 1975 setback highlights in a dramatic way the intrinsically costly and risk-prone nature of Soviet agriculture.'

AN official Soviet harvest claim for 1975 is still awaited. A provisional figure of 137 million tonnes has been derived from an oblique statement in a speech by Mr G. Vashchenko last December to the Supreme Soviet—the occasion on which the year's harvest result is normally presented. This figure has been used as a basis for the present assessment. It betokens a near catastrophic reverse for Soviet farming. Whilst the final grain outcome could be somewhat higher than the above estimate, it is felt that no subsequent upward revision is likely to affect very markedly this main conclusion or the other comments which follow.

The figure implies a fall of 38 per cent (85 million tonnes) from the record 1973 crop and of about 58 m. tonnes from the harvest of 1974. The planned target for 1975 was 216 m. tonnes—some way above the long-term trend level, but consistent with the feed grain requirement implied by livestock output targets and estimated demand for grain for other uses. The size of the initial shortfall from domestic production during the current crop year could amount to a staggering 60 m. tonnes. The feed requirement is by far the biggest component (about half in a normal year) of total grain utilization. Most of the deficit will thus be translated into a livestock feed shortage equivalent to well over half of the feed grain requirements in 1975–6 as implied by the original plans for livestock.

The extent of the 1975 decline has come as a surprise to most observers, who were expecting about 20 m. tonnes more grain than appear to have been gathered. It is too early to assess the reason for this disastrous result, but first indications point to failures in all three of the main grain-growing regions (Kazakhstan, Southern Russia, and the Ukraine) simultaneously—a combination which has not occurred on the same scale before. The harvest shortfall is even greater than in the previous worst crisis year of 1963, when the cereal harvest fell one quarter below the previous year's record. In the following autumn large scale slaughtering of pigs and, to a lesser extent, poultry took place. Cattle and sheep, whose diet normally contains a much smaller proportion of grain, were less affected though

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here again some decline in numbers was registered. Meat production rose sharply as an immediate result but egg and milk output declined for the same reason. Not until 1965 (1966 in the case of eggs) did meat production, which slumped after 1963, and milk output regain 1962 levels.

In anticipation of a poor crop the Soviet Government placed firm orders for over 25 m. tonnes of grain, of which 13 m. with US suppliers, in the last six months of 1975. Further orders are expected including the possibility of another 4 m. tonnes on option from the United States. Soviet port handling and storage capacity would normally limit total shipments to about 25 m. tonnes in any twelve-month period though great efforts will no doubt be made to increase the normal flow. Availabilities may also be increased if Soviet export commitments are shed by diverting cargoes ordered on Soviet account from other suppliers direct to Soviet customers abroad. Even so, it seems unlikely that more than half the total deficit of grain will be met from imports. The shortfall could thus amount to 30 m. tonnes in 1975–6—equivalent, for example, to the grain required for feeding 50 m. pigs to slaughter weight. And the stringent grain situation will exacerbate the effects of a summer-long drought in many regions on sunflower-seed production, as well as on hay, sileage, and other forage output for cattle, since it will not be possible to compensate for this, as in more abundant years, by extra feeding of grain. The results of the January 1976 livestock census will give a precise record of the scale of enforced slaughtering last autumn but it is already clear that the herds have been badly affected. Again it is worth recalling that following the 1963 crop failure the number of pigs alone fell by 30 m. out of a herd totalling 70 m. a year earlier.

The current year thus sees a crushing setback to the new policies on agriculture which were adopted after the March 1965 plenum of the Soviet Communist Party. In that year the leadership, concerned at the declining rates of growth of the economy during the early 1960s, adopted certain industrial reforms which had their counterpart in agriculture. An improvement in overall food supplies was seen as a major incentive for society as a whole. A notable new departure was the progressive shift in financial resources away from other sectors and towards agriculture, which for the first time made funds available on a sufficient scale to give output plans some real chance of success. The programme had some noteworthy results. Average yields rose from just over 10 to nearly 15 quintals per hectare between 1961–5 and 1971–5, attaining nearly 18 quintals in the bumper harvest year of 1973. Livestock output was sufficiently expanded to make possible consumption levels approaching 50 kg of meat (excluding fats and offals), 320 kg of milk, and over 200 eggs per head of the population in 1974. Nevertheless the cost of the programme was very high. Agriculture now accounts for over 20 per cent of total investment compared with 15 per cent in 1961–5. The practice of

selling many farm—especially livestock—products in state stores at approximately the same prices as are paid by the state purchasing agencies to farmers generated a food subsidy bill which rose to 16,000 m. roubles in 1974. This is equivalent to about 3 per cent of GNP—very high by Western standards.

Not only has the price of post-1965 policies in terms of Soviet domestic resource re-allocation been high, but the foreign-exchange cost of feed imports has been particularly burdensome. The recent round of grain purchases, for instance, will probably cost about 2,500 m. roubles—equivalent to over 10 per cent of total imports on an annual basis. This is a large sum by any standards, but particularly in the case of a country committed to large scale imports of sophisticated technology for the modernization and accelerated development of industry.

Within the overall agricultural development programme, special emphasis was placed on increasing the output of livestock products. The policy was pursued to the point where production of meat, milk, and eggs clearly outran domestic feed availabilities by a substantial margin. Whereas between 1965 and 1970 the Soviet Union was a net exporter of some 2 m. tonnes of grain annually, the period 1971–5 shows an average import figure (net of Soviet exports)of some 6 m. tonnes of grain per year. The gross import figure averaged about 14 m. tonnes annually, but varied in individual years from 1 to 16 per cent of total world trade in cereals. The disruptive effect of Soviet intervention in world grain markets needs no further comment here.

Policy in the recent past has not apparently included any effective stockbuilding plans for grain. Instead, production plans for livestock numbers and output have been set on the assumption of grain harvests which could only be achieved if weather conditions were reasonably good in all years. The technique of compensating the inevitable shortfalls by imports in years of below-plan harvests worked while exporters were willing to supply large amounts at short notice and also provided the initial Soviet deficit did not exceed about 20 m. tonnes in any given year. Recent events illustrate that neither of these two unacknowledged policy assumptions can be taken for granted any longer.

A large part of the capital stock of the livestock industry has been destroyed. Whilst pig and especially poultry numbers can be rebuilt within a relatively short time, the damage will take longer to repair in the case of cattle. Overall feed requirements will at all events be lower in the next year or two. Assuming normal harvests, it should be possible to increase stocks of grain and indeed of some other feeds in the next two or three years. This sets in a new light the US–Soviet agreement announced last October which commits the US to sell and the USSR to buy 6–8 m. tonnes of grain annually between 1 October 1976 and 30 September 1980. The amounts are roughly equivalent to average annual Soviet purchases

of US grain during 1971–5, though to only about half of average grain imports from all suppliers over the period. The agreement is the first overt acknowledgement by the Soviet leaders that feed imports have a stabilizing role to play in the development of Soviet agriculture. How far this represents a deliberate policy shift, and how far merely a gesture in the direction of orderly marketing for the benefit of the US Government—which was in a strong bargaining position last year—is difficult to assess. But the agreement could be a new and helpful element in what appears to be a growing recognition of the importance of adequate stocks. It adds substance to the decree promulgated early last year for the construction of 40 m. tonnes of extra storage capacity during 1976–80.

The 1975 setback highlights in a dramatic way the intrinsically costly and risk-prone nature of Soviet agriculture. Not only can losses due to extreme year-to-year variations be very high, as at present, but climatic and geographical constraints reduce possibilities for low-cost production of many items, especially livestock products. In particular, the prospect for increasing the domestic supply of non-cereal, high-protein concentrates is limited. The practice of feeding cereals in excess of animal energy requirements in order to compensate partially for an overall protein deficit is one reason for the high production costs of meat and other livestock products. Whilst it is true that Western Europe also suffers from a protein deficit, regular imports of soya bean meal from the United States and elsewhere have facilitated an alternative cost-reducing feed pattern. Given the transport problems involved, this is uneconomic in the Soviet Union in 'normal' years when adequate grain is available.

The costs of present policies and the seemingly fragile nature of success, as evinced by the 1975 results, could now cause the leadership to consider ways of achieving the necessary improvements in the supply of consumption items in a less expensive and risky way. The shift in domestic priorities in agriculture's favour since 1965 has taken place almost entirely at the expense of housing, the consumer goods industry, and the service sectors. It would be far from illogical if some of these branches were to be developed as alternatives to further dietary improvements, which could only be achieved at the expense of further shifts in resources—both domestic and in terms of foreign exchange—in favour of agriculture. It has to be acknowledged, however, that no such rethinking has been expressed in a major policy statement.

The longer-term situation from the late 1970s into the 1980s thus offers two alternative possibilities for the policy-makers. If the present postures are maintained towards agriculture in general, and towards livestock output in particular, an examination of likely feed-grain requirements relative to estimated domestic availabilities suggests that growing amounts of feed grain imports will be necessary in the longer term. In addition, the shortfall in feed protein, already substantial, would widen

very considerably. Opportunities for increasing domestic protein supplies are less good even than for grain, where increased fertilizer availabilities should permit further progress in raising yields per hectare.

To the extent that livestock production does continue to be pushed to the limit, the most pressing need of Soviet agriculture over the next decade will be to build up and maintain grain carry-over stocks of sufficient size to accommodate not only the considerable normal year-to-year harvest variations ($\pm$15–20 m. tonnes about the trend during 1970–4) but also the less frequent but ever present danger of harvest failures of the order of magnitude of 1963 and 1975. The size of grain stocks is a closely guarded secret. Although carry-over stocks have clearly been insufficient up to now, this does not, of course, rule out the existence of substantial strategic reserves—(given the absence of official grain balances, techniques of estimation must be used which would not necessarily reveal a gradual build-up of such reserves over a long period)—though these would not be drawn down except in times of major national emergency. Additions to carry-over stocks at the required levels, together with continued rapid development of the livestock industry, would in the long term entail gross grain imports considerably in excess of the quantities involved in the recent US–Soviet agreement. Hence, to the extent that agreements with other suppliers (notably Canada, Australia, and Argentina) are not concluded, further unanticipated raids on the world grain market for quantities similar to those of 1972–3 and 1975–6 are highly likely to build up again towards the end of the present decade and beyond.

It would make sense to import soya bean meal rather than grain in deficit years—partly because it is less bulky, partly because of its higher nutritional qualities—but adequate storage facilities are not yet available. Since they are expensive to instal, they would need to be used every year to justify their cost. The leadership may in future find it pays to incorporate imports of protein products as an integral part of livestock development plans—though so far Soviet imports of these commodities have been very small. A decision to change the feed import pattern in the direction of non-cereal concentrates could, of course, reduce cereal imports—but only at the cost of increasing aggregate world demand for other feed products.

If, on the other hand, a reappraisal of policies does find an echo in lower animal product growth targets, the Soviet position as a large net grain importer could change dramatically; the country could revert to the net export position it held through most of the 1960s. There are, in fact, some indications that this option is being adopted—though they are probably more apparent than real. Figures recently published in the 1976–80 tenth five-year plan directives show much lower output growth targets for meat and eggs than were retained for the ninth five-year plan to 1975.

Milk output could rise slightly more than in the past five years but, even so, the increment in overall concentrate and feed grain requirements corresponding to these production increases would be only a little over half those registered in 1971–5. Certainly the scheduled growth of grain output—a little higher than that planned for 1971–5 but over twice as much as was actually achieved—would be more than adequate to support the new livestock targets. Even if a grain shortfall below the plan target of the same amount as in 1971–5 is assumed—and recent precedents underline the need for such scepticism—the feed situation could still be considerably more relaxed than during the ninth plan, especially when the 6–8 m. tonnes of regular imports under the US–Soviet grain agreement are included in the balance. The unknown factors are the size of the herd decline during 1975–6 and the extent and speed at which it will be made good.

While it is prudent to bear alternative possibilities in mind, the chances are that the lower output targets for livestock are a tactical accommodation to reality rather than harbingers of revised priorities towards agriculture. This month's meeting of the 25th Congress of the CPSU should, however, provide an opportunity to gauge future intentions with more certainty.

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Note of the month

THE NORTH–SOUTH DIALOGUE

THE four commissions set up by the Conference on International Economic Co-operation (CIEC) began work on 11 February 1976, taking a significant step forward in the relationship between the industrialized and less developed worlds. This event may well mark the end of the era of confrontation between them which was exacerbated by the oil embargo of the autumn of 1973 and the subsequent massive rises in the price of oil.

The four permanent commissions will deal with energy, raw materials, development and finance. Each has fifteen members, five from the developed and ten from the less developed worlds, under the guidance of two co-chairmen representing the two blocs. It is expected that they will meet for up to ten days a month, and will produce interim reports around June and final recommendations towards the end of 1976.

All told, there are 27 countries involved in this exercise under the aegis of the CIEC—19 from the oil-producing and less developed states, and 8 from the developed world (with the European Community representing all its member governments). Overall co-ordination of the work of the groups is in the hands of CIEC's two co-chairmen, Mr Allan MacEachen of Canada and Dr Perez-Guerrero of Venezuela, who are to call for a general assessment of progress at senior official level in June, and at ministerial level in December. However, this assumes that progress will be made and that the overall conference will not fall apart—somewhat risky assumptions, given the turbulent months of diplomacy which were needed to get even this far.

The original concept of a dialogue between a carefully selected and limited number of oil-producing and -consuming governments is believed to have come from Sheikh Yamani in the spring of 1974.[1] This was the time when the US Administration and many of the Opec members saw each other locked in a confrontation in which the oil producers had to thwart US determination to force the price of oil down again at all costs. His suggestion was enthusiastically taken up by President Giscard d'Estaing who persuaded President Gerald Ford at their Martinique

[1] For a reassertion of this proposal see Sheikh Ahmed Zaki Yamani, 'Oil: towards a new producer–consumer relationship', *The World Today*, November 1974.

summit in December 1974 to allow the French—conveniently neutral through their refusal to join the then controversial International Energy Agency—to convene such a meeting.

An abortive preparatory meeting was held in Paris in April 1975. Representation followed the principles adopted at all subsequent meetings. A limited number of delegations from the industrialized world (in this case, the US, Japan and the EEC) faced roughly double the number of delegations from the oil producers (Algeria, Iran, Saudi Arabia and Venezuela) combined with oil-importing LDCs (Brazil, India and Zaire). The meeting polarized around the positions of the Algerians, who argued that whatever wider conference emerged should consider a full range of Third World grievances, and that of the Americans who argued that it should be limited to a consideration of events in the oil industry. The result was a failure of the meeting to even agree on a final communiqué.

This apparent disaster did not, however, stop the continuance of low-key diplomatic soundings, and the American position—which was softening towards the demands of the Third World in the months leading up to the September 1975 Seventh Special UN Session on the 'New International Economic Order'—was modified to accept the Algerian position that wider issues concerning the Third World could be included for discussion in any fuller conference.

It thus became possible to reconvene the preparatory meeting in October 1975, which decided to call a wider 27-nation conference on 16 December; this in turn set up the four commissions which finally started work in February. Despite a fair amount of preliminary agreement, neither the October preparatory meeting nor the December conference ran easily. Certainly, by October, there was a degree of concensus about the form that the wider dialogue should take, but the Third World delegates still suspected that the developed world would try to avoid discussing the most controversial issues, such as indexing the price of oil to world inflation rates. The Third World tried to get the developed world to accept detailed agendas for all the commissions, while the position of the consumer group of countries was increasingly that they were willing to discuss almost anything, provided it was understood that a number of the issues that the Third World might want to raise (the future of commodities, the reform of the world financial system) were such that other bodies like Unctad or the IMF were more appropriate for taking binding decisions about them.[3]

The commissions thus start work under the disadvantage of having participants with significantly different ideas of their goals. The developed

[3] The British further complicated preparations for the December meeting by insisting on a separate seat of their own in addition to EEC representation. They eventually backed down after the EEC agreed to the principle of establishing a floor price for oil.

world may well, for instance, object to attempts to replicate work being carried out by other bodies (and here the May 1976 meeting of Unctad IV looms large). Certainly, the financial commission would see some fierce battles should the Third World propose a full-scale reform of the IMF. On the other hand, this same commission might well be able to provide some thoughtful contributions to the debate of the increasingly serious indebtedness of the so-called Fourth World—the non-oil-producing members of the less developed world.

Most interest centres on the Energy commission—the only one which is covering genuinely new ground: for the first time the oil-producing and consuming governments are sitting round a table to discuss the implications of the oil price rises of recent years, and to see what common ground there may be between the two sides on issues such as the indexing of the price of oil, which have been so heatedly rejected in the past, by the US Government in particular. This commission is jointly chaired by the United States and Saudi Arabia, and all the indications are that both sides are taking its work extremely seriously. On the opening day, an Iranian proposal to conduct an in-depth analysis of the world energy situation was accepted, but there was no evidence as to whether the Third World delegates in this commission were going to be dominated by the relatively conciliatory Saudis or the more aggressive Algerians. The answer to that may well determine the ultimate success or failure of the whole exercise.

CIEC's ultimate significance is as an indicator of the extent to which the general 'North-South' debate has entered a new era of realism. The Commonwealth's initiative on commodities, the EEC's agreement to the stabilization of export earnings under the Lomé Pact, and Dr Kissinger's positive response to the UN's Seventh Special Session all indicate that the rich world is becoming more sensitive to Third World demands. At the same time, the fact that even hard-line champions of the Third World such as Algeria have continued to talk to the industrialized world shows that their views have been modified too. What the CIEC is providing is a manageable framework for serious discussion of issues which have previously been debated in fora like the UN Assembly and Unctad, or, in the case of energy, not at all. The hope is that the time for rhetoric from both sides is over and that a genuine search for common ground can now start. However difficult this search may prove to be, the CIEC seems to be better equipped than any comparable body to attempt it.

LOUIS TURNER

International co-operation on energy—problems and prospects

ULF LANTZKE

Individual national concerns are still the major motivation for international action, but interdependence should be recognized as a structural fact of life within the international order.

THE purpose of this article is to describe in general terms the current prospects for international co-operation on energy, taking into account not only the problems which continue to inhibit such co-operation but also the opportunities for removing certain of these obstacles. Primary attention is directed to the recent efforts of consuming countries to co-ordinate their energy policies, this being an endeavour which seeks reconciliation of a broad range of national interests, and which therefore presents a useful paradigm of current opportunities for broadening international co-operation in the field of energy.

The central thesis of this article may be stated quite simply: international co-operation is only meaningful and can only be effected successfully if and so long as there exists a substantial common interest among the participating parties. Co-operation, which finds its sole support in a generalized notion of 'solidarity' among nations or particular groups of countries, may be useful in a very general sense. But it is unlikely, by itself, to lead to very many concrete undertakings or to a common, co-ordinated approach to the formation of energy policies. That form of 'common interest' which is sufficient to support constructive international initiatives on energy matters must be based instead either on a similar economic situation existing in a group of countries with respect to energy production, supply and demand; or upon political motives which possess a sufficient degree of complementarity to result in the group's adopting one or more common energy policy objectives.

Precedent of ECCS and Euratom

As an example of such common interest, one might begin by recalling the history of post-war energy co-operation in Europe, in particular, the

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European Community for Coal and Steel (ECCS). Originally organized in 1951, the Coal and Steel Community achieved a significant measure of success during its early years on account of its members' significant community of interest. Quite apart from the overarching political determination to establish a new European political order which would be capable of preventing a recurrence of massive conflicts such as had just occurred, there was an additional element of common interest: the desire of France, Belgium, the Netherlands and Luxembourg (and, to a lesser extent, Italy) to obtain secure and non-discriminatory access for their steel industries to German coal. The principal interest of Germany lay in regaining sovereignty over her heavy industry, and, in a more general sense, in becoming reintegrated into the European and world economic system. By the end of the 1950s, the world energy supply situation had changed, however, and the common interests which underlay the ECCS grew more amorphous as coal and other energy sources became comparatively abundant. Accordingly, the importance of the ECCS diminished—a circumstance which was fortunately accompanied by a new economic-political development, the implementation of the EEC.

Euratom represents yet another example of a convergence of interests sufficient to stimulate international co-operation. The initiative to create Euratom grew from the assumption that, because a growing imbalance was emerging between available energy supplies and demand, increased support was needed for the European nuclear energy industry. Initial proposals for Euratom were introduced in 1956; however, by the time Euratom was actually founded—in 1958—energy market trends had changed, oil and American coal having become available at cheaper prices. In consequence, the common interest of participants in international co-operation on nuclear questions decreased and accordingly—in the view of many policymakers—the impact of Euratom on economic developments in this sector remained limited.

Organization of Opec

The history of Opec represents one of the more striking examples of converging interests leading to intensified international co-operation. The period immediately following the Second World War saw the rapid development of Middle East and Venezuelan oil by a vertically integrated industry that was initially quite concentrated. Soon, however, the substantial returns on Middle East production attracted numerous 'independent' companies to acquire producing properties 'upstream', and new wells were rapidly brought into production in both the Middle East and Venezuela. During the late 1950s, output from both of these areas increased more rapidly than had been anticipated, just as the US began protecting its market by limiting exports; much of the new production was thus forced into European and Japanese markets. This rapid and

unexpected emergence of surplus capacity prompted certain of the major oil companies to lower the 'posted' (i.e. tax reference) prices for their Middle Eastern crude oil. The latter action effectively reduced the per-barrel income received by the producing states, thereby providing them with a substantial common interest in protecting their income from future reductions that might result from unilateral company action. The Organisation of Petroleum Exporting Countries (Opec) was created in 1960 as a collective vehicle for safeguarding and promoting this basic common interest.

During the ensuing decade, the members' efforts to increase revenues and gain greater control over crude oil pricing were only moderately successful, partly because 'newcomer' producers emerged to disturb the members' common interest in keeping supplies from exceeding demand. However, towards the end of the 1960s the strength of the producers' common interest as an informal 'cartel' began to improve—largely as the result of rapid increases in the demand for their oil in Europe and Japan. Their increased market power was quickly consolidated through a series of initiatives undertaken in the early 1970s, the history of which is well known: the Tripoli-Tehran-Geneva price agreements of 1971–2; then the more spectacular oil embargo and related price increases of 1973–4 (the latter having the effect of more than quadrupling the posted price for crude oil) and the more recent 10 per cent increase instituted during the autumn of 1975.

Common interests of consumers in IEA

Considering the progress that Opec has made during the past 15 years, it is to be regretted that energy-consuming countries did not begin earlier to co-operate in this field (not in the sense of organizing a 'counter-Opec', but rather to bring about a more balanced supply-and-demand structure). Whatever their perception of the need for co-operation prior to 1973, the events of 1973–4 were such as to catalyse a far greater awareness among industrialized countries of their common energy problems, leading finally to their agreement on a common International Energy Programme and the creation of the International Energy Agency within the framework of the OECD. It is instructive to review the elements of common interest existing between consumers, upon which this new co-operative undertaking is based.

At one level, there exists a general concern over the central reality brought to light by the recent crisis; namely, that the industrialized nations had become highly dependent for their economic and social well-being on the political and economic actions of a small number of countries, which dependence placed a number of constraints on their own freedom of action in both economic and political terms. This common vulnerability created a very general convergence of economic and political

interests, the chief end of which was to achieve an improved international infrastructure for their energy supplies.

Secondly, adverse conditions associated with the 'energy crisis' (loss of investor confidence and general instability in national balances of payments, as well as in international financial markets) have seriously strained the post-war economic system. This system, based on an increasing *international* division of labour, has accelerated economic development and enhanced social welfare in an unprecedented manner. Although the benefits of this system accrued, until recently, primarily to industrialized countries, there is every reason to believe that the system is also well constituted to provide efficient development opportunities for the Third World. In any event, a case can be made that the system as such is worth defending.

Another element which served to unify industrialized consuming countries was the realization that one of the most vital components in their economies—energy—rested on an extremely fragile bedrock, in the sense that the development of this sector was (and continues to be) sensitive to the vicissitudes of economic and political decision-making in a handful of foreign capitals. Recognition of this fact has led to increased awareness of the need to protect the larger 'interdependent' economic system in which all are joined, and to assure that continued world economic growth is not disturbed by one-sided actions taken by a limited number of states, in pursuit of their unilateral economic or political advantage. From this it follows that national decision-makers have a strong interest in avoiding the temptation to solve individual economic problems by breaking ties with the integrated system that has developed in the post-war period; or by seeking to retrench in self-contained, hermetically enclosed national economic systems. No state in the industrialized world stands to gain significant long-term advantages through such a strategy.

Fourth, as regards the domain of energy itself, industrial consumers have become increasingly sensitive to the fact that presently exploited energy resources are finite; and thus that their economies remain dependent on the consumption of natural resources which may be expended within the foreseeable future. Recognizing that hydrocarbon resources continue to serve as the principal 'motors' of our economic growth, industrialized nations should also recognize that they have a common interest in attempting to husband these resources through more careful production, conservation and use of them.

Finally, there is increasing recognition of certain basic facts of our day-to-day political life: the world energy supply system has assumed such an important economic dimension, and public concern over the problem of controlling economic power has grown to such an extent, that new accommodations will have to be made in order to prevent the same public concern from disturbing the existing system.

Governments, for their part, should be prepared to accept that the 'international oil business'—in the broadest sense of the term—still provides the most efficient logistical apparatus for performing the extraordinarily complex task of matching world energy supplies with ever changing patterns of demand. On the other hand, private business, including, above all, the international oil companies, will have to recognize that theirs is not a private economic world, but that it remains very much at the centre of public and political attention. Thus, all sides have an interest in ensuring that public energy policies are formed in a climate which is conducive to rational analysis. In particular, in order to create a less emotionally charged setting, it is incumbent upon governments to obtain more objective information on the workings of the international energy market than has traditionally been available.

Diverging interests of consumers

Despite the fact that industrialized consumers enjoy a broad range of common interests which provide a basis for establishing co-operative energy programmes, it would be disingenuous not to admit that on a number of points their interests diverge. In regard to energy, for example, there are certain respects in which the situations of IEA member countries differ widely.

As illustrations, one might take Denmark, Italy and Japan, countries which are highly dependent on imported oil for the bulk of their energy supplies and cannot expect to see this dependence reduced over the immediate term. By contrast, Norway[1] and the United Kingdom are blessed with substantial untapped reserves of oil and gas which should be brought 'onstream' within a few years.

The United States, as another example, has relatively large domestic oil and gas production but its reserves have begun to 'peak out'. It also possesses substantial reserves of higher-cost coal and oil shale deposits and thus has excellent prospects for achieving energy self-sufficiency over the long-term. Yet the US is still dependent on oil imports to meet its immediate incremental needs (its current imports being—in absolute terms—as great as those of Japan).

Similar *political* distinctions may be drawn; for example, the neutral policies of Sweden, Switzerland and Austria obviously differ in certain respects from the predominant political interests of other IEA members, as do those of the US and the EEC on certain issues.

Finally, the general economic orientations of various IEA members differ: Japan and the EEC remain, in respective degrees, relatively import-dependent, while the US represents a comparatively self-con-

[1] In this connexion, it is interesting to note a recent projection, offered in a survey of Norway's long-term economic prospects in *The Economist* of 15–21 November 1975, to the effect that, during the 1980s—thanks to its oil reserves—that country may enjoy the highest relative standard of living in the world.

tained trade market. Apart from creating different political and economic orientations, these differences also have an impact on energy issues such as the members' sectoral patterns of energy consumption, thereby limiting their possibilities for undertaking parallel energy conservation strategies.

The foregoing examples are intended to be illustrative and do not exhaust the disparities of interest that exist within the IEA membership. The chief question to be asked, however, is whether the underlying structure of common interests is sufficiently durable to outweigh the differences—at least to the extent of making substantial IEA co-operation possible in the major areas of common concern. In this writer's judgment, consonance of the members' basic underlying interests is still such as to make compromise on their differences possible. This is particularly so because the alternative—i.e. failure to reach co-operative accommodation —increases the risk of each country's suffering unacceptable political, economic and social damage. Recognition of this basic fact was manifest during the negotiations which lead to the adoption of the International Energy Programme on 15 November 1974, and the experience of the Agency since then tends to confirm this judgment.

It is true that compromises on certain items of the IEP Agreement proved difficult to negotiate, but this was perfectly understandable, given the complexity of current energy supply problems. Based on the record of its first year of co-operative efforts, it is clear that the main objectives of the IEP Agreement continue to be sustained by the political will of all participants to solve problems and achieve results.

Problems of long-term co-operation

As an initial example, it is worth while examining the members' approach to the problem of long-term co-operation. In judging this aspect of their efforts, a measure of realism is needed. The area is one which is immensely complicated from an economic standpoint and does not lend itself to overnight change. Yet it is probably not an exaggeration to say that it remains the area in which the struggle to manage energy resources intelligently will finally be resolved.

The IEA reached an agreement in principle on the basic elements of a system for co-ordinating its members' long-term energy policies as early as March 1975. Thereafter, attention was directed to the numerous details which needed to be worked out before final commitments could be made on an overall, integrated 'package'. By the beginning of 1976, agreement in principle had been reached on a comprehensive set of commitments, the principal details of which include: a general conservation strategy; a programme for developing alternative energy sources; and a new co-operative effort on energy research and development.

It must be recognized that, in giving new direction to national policies

on these issues, certain difficulties were bound to arise in consequence of the internal political situations in member countries. Resolution of these conflicts was further complicated by the fact that in each of the respective political systems energy issues are not capable of being treated in isolation.

For example, in the US there is an intense debate between the Executive and Congress as to whether general energy price levels should be raised in order to provide conservation incentives; or whether, instead, oil prices should be 'rolled back' in the interests of inflation control and the consumer. As for the North Sea, both Britain and Norway have been requested by their European partners to accelerate production so as to contribute to a better balance in overall energy supplies. Yet there are obvious domestic problems which make rapid production increases politically difficult for the home governments of these two countries. In Germany there are certainly differences of view as to the extent to which the traditional liberal approach to the national energy market should give way to a greater degree of government-influenced development of the market.

One could give additional examples, but the basic point would remain the same, this being that there are some very difficult conflicting interests which have to be reconciled before 'horizontal' co-operation can be achieved between consumer countries. This is true at the general level of national policy-making and it is equally true when one turns to specific problem areas such as the development of alternative energy sources within the IEA area.

Supply strategy

In seeking to develop alternative sources on an accelerated basis, IEA members are faced not only with enormous technical and environmental problems, but also with equally serious financial problems connected with maintaining a high level of exploration and development. Countries in which high-cost energy investments have to be made—as in the North Sea, the US western coalfields or the Canadian Arctic—face serious 'downside' risks vis-à-vis lower-cost oil alternatives, since a sudden drop in the world price of oil, although unlikely, is not an impossibility. Elsewhere, countries such as Denmark, Sweden or Italy confront equally serious risks in regard to continuity of imported energy supplies (and prices) and to the question of access to alternative resources developed outside their borders in other IEA jurisdictions.

The issue facing IEA members is how best to achieve an integrated supply strategy. At one level the system must be such as to satisfy the companies and countries undertaking these high-cost investments that they will receive a fair return, and will not later be put at a competitive disadvantage if oil market conditions change. There is also the question

of what types of investment-protection will be employed (i.e. tariffs, import quotas, etc.) and what objective conditions will be required to activate them. Difficult and delicate trade-offs are involved in creating a system which contains the proper balance of advantages and burdens for each of the participants, and the process of formulating such a system has been time-consuming. An additional problem has been to provide the non-resource-rich consuming states with adequate assurance that, having assumed the risk of supporting a safeguard price to encourage the rapid production of high-cost alternatives, they too can count on obtaining non-discriminatory access to future alternative production within the IEA area. The fact that IEA members have worked out the basic details of such a system clearly shows a readiness to compromise which would not exist in the absence of identifiable common interests.

Conservation is another vital element of the long-term Programme. It is in this area that consumers appear to have the best chance, over the near and medium term, of reducing their dependence on oil imports. Conservation targets adopted by the Agency for 1975 have been achieved, and its 1976 and 1977 objectives decided in principle. The Agency has also instituted a system for assessing the relative merits of national conservation programmes in order to identify deficiencies in such programmes and suggest measures which might be undertaken to correct them. In general, there appears to be widespread recognition among Agency members of the need for improvement in national conservation efforts, as well as of the fact that several independent factors (e.g. recession and favourable climatic conditions) have contributed to the conservation results achieved. The overriding concern at the moment is to retain the conservation effects brought about by the crisis, to keep the public and the private consumer aware of the need to be rational in their use of energy, and to set in motion long-term developments which contribute further to its rational use.

With regard to the results achieved to date, perhaps it would suffice to say that if pre-crisis trends had prevailed, imports into the OECD region for 1975 would have been running at a level of 27 m. barrels per day; in reality, imports have been held to an average level of only 22 m. barrels per day, which is quite a large percentage reduction.

With respect to the last sub-category of the long-term programme, Research and Development, members have agreed to move from agreements involving primarily information exchanges to a more co-ordinated strategy encompassing a greater number of 'hardware'-type projects. (The 'fluidised bed facility' headed by the United Kingdom's National Coal Board is an example of the latter type of agreement.)

With respect to the emergency oil-sharing system, the politically relevant decisions had already been taken in the IEP Agreement itself. Thus, IEA efforts during 1975 were directed to the very complicated technical

problems which had to be worked out before machinery capable of translating these political commitments into a practical oil-sharing programme could be put in place. In this area, the IEA has reached a state where, whilst there is still a need for further refinement, the basic system could be put into operation within a very short period, should the need arise.

Another of the key elements in the IEP undertaking is the General Information System. As regards the problem of organizing more objective information about the international oil market, one is dealing with an undertaking which seems simple in theory but is, in fact, very difficult from a technical standpoint. First, one must identify the data which are most meaningful for purposes of providing an accurate view of international oil market conditions and relationships (e.g. crude oil costs, crude oil and product prices; terms of access to crude oil). Second, the necessary market information must be obtained from oil companies whose affiliates are domiciled throughout the world. This is a relatively new task for governments many of which do not have either the technical expertise or the legislation needed to create a comprehensive reporting system. Third, the information received must be properly analysed and evaluated. Lastly, IEA members must determine in what manner this analysis can be utilized most effectively in order to achieve the underlying aims of the IEP Agreement. The latter questions concern whether to increase the objective information being sought with respect to oil market activities and (depending on the outcome of further analysis) whether to undertake co-ordinated political action to improve the existing market structure.

In sum, considerable progress has been made on the foregoing co-operative undertaking and, judging from the record of the IEA during the first year of its existence, prospects for the strengthening of such co-operation remain positive. Although rigorous efforts will be required to overcome certain of the remaining constraints, this too can be achieved if member states retain their willingness to find common solutions in the spirit of compromise.

Producer-consumer co-operation

An issue of great significance for consumer-producer relations generally is the eventual outcome of the Conference on International Economic Co-operation (CIEC). A superficial glance at the wide gap which appears to exist between the political, economic and social conditions of the respective parties might suggest an absence of any common interest among the countries represented. Upon closer scrutiny, however, one is moved to conclude that quite a number of common interests exist which should, over time, provide a basis for the development of closer collaboration between producers and consumers.

First, healthy economic conditions in the world are the concern of both

consuming and producing countries, not to mention the non-oil-producing developing world. Producers will not be able to realize their ambitious development plans and so reduce their dependence on the export of petroleum, if worldwide recession persists, since markets vital for their exports are bound to diminish in relation to the falling-off of world trade. Furthermore, remaining uncertainties about the rate and extent of economic recovery and about future energy market conditions continue to impair consumer and investor confidence. In fact, it is difficult to envisage a steady and sustained general economic upturn taking place without energy market conditions being made more secure and the ability of oil consumers to anticipate price movements improved. The non-oil producing developing countries are even more vulnerable to these problems, as their debt-servicing capacities and trade volume have been most seriously affected of all. They, too, are not likely to be able to obtain sufficient aid in the context of a depressed world economy.

Secondly, producers and consumers are necessarily interested in developing the economic potential of the Third World. The developing countries need to achieve a faster growth rate, which aim is also in the interest of the industrialized world, as an expanded world market would increase its export opportunities. Thirdly, in political terms, an exacerbation of the nascent tensions existing between the industrialized countries and the Third World is in the interest of neither side; heightened tensions would only tend to forestall social and economic progress in all regions.

Notwithstanding these common interests, the problem of conducting a productive dialogue is likely to be very complicated; producers and consumers are not simply facing one another as sellers and buyers in the market place. As is the case with the IEA countries, Opec members are involved in a highly complex fabric of political and economic relationships. Crude oil production and reserve capacities of individual countries differ significantly. In addition, obvious political and strategic differences exist as between various Opec members. Despite these differences, Opec has generally maintained its political cohesion and continued to enjoy support from the non-oil-producing developing countries.

Cautious optimism

It is still too early to predict the precise direction of negotiations within the Conference on International Economic Co-operation, or the accommodations likely to be reached. Clearly a broad range of trade issues will be covered, with what degree of interlinkage is unclear. The main issues include: oil prices and security of supplies; protection, in some manner, of the developing countries' export earnings (and other forms of development assistance); world food production and other commodity issues; as well as financial issues raised in the foregoing context.

Although the future pattern of negotiations in the CIEC is a matter of

speculation, there may be grounds for cautious optimism about its eventual outcome. Whereas relations between developed and developing countries appeared to have deteriorated during the latter part of the 1960s and early 1970s, a recent and very positive development may change this situation. Oil producers and the LDCs which have made common cause with them are now in a position to open negotiations with a degree of bargaining power which they heretofore lacked. This need not be regarded as a negative element from the standpoint of consuming countries, because it should ensure that all of the participants view one another with a greater measure of mutual respect, thus encouraging both sides to take seriously the various claims being made by the other. Such a development should be far more conducive to fruitful trade negotiations than motives of charity or general political claims which have sometimes inspired development policy in the past.

On the whole, one should not expect quick and ready-made results from the 'dialogue', because the problems involved are difficult and the overall political situation remains extremely complex. As a starting point, however, all parties participating in the Conference must come prepared to take their share of responsibilities in reaching understandings which will improve the world economy as a whole.

In concluding, it is worth making several general observations. The first is that producers and consumers alike will have to banish the hobgoblin of 'confrontation'. No cliché more aptly illustrates the politicization of the international energy sphere, yet its existence in international political discourse creates a serious impediment towards improving the general level of co-operation between producers and consumers—both developing countries and developed. It is quite clear that the various parties hold differing interests, certain of which may not be reconcilable. However, the countries concerned simply have to be realistic and identify those of their differences that they are willing to settle.

To argue, as this article does, that meaningful international economic co-operation is only possible if there exists a sufficient measure of underlying common interest, may imply a certain pessimism with regard to the prospects for improving the present world energy situation. It accepts that, fundamentally, individual national concerns are still the major motivation for international action. Thus, one is left to hope that the notion of interdependence will evolve to the point where it is recognized as a *structural* fact of life within the international order. Inducing governments and their electorates to accept the reality of these common interests, within an interdependent whole, may well prove to be the biggest problem that nations will have to face as they seek to develop international co-operation on energy.

The Fifth Republic under Giscard d'Estaing: steadfast or changing?

SIMON SERFATY

In its early years, under de Gaulle, the Fifth Republic was understood to mean a depoliticization of France plus a foreign policy. At first, depoliticization implied the dominance of one person over the institutions. But just as the stability of the structures which resulted from such depoliticization was unnecessarily said to be dependent on the continued availability and survival of de Gaulle himself, the continuity of a 'Gaullist' foreign policy was said to be dependent on the individual who embodied it. All things considered it was difficult then, and remains difficult now, to find a sound basis for such expectations. At home, Gaullism was at once a political movement and a political doctrine. To base one's analysis on the predictable fall of a partisan movement was to neglect the national appeal of a doctrine which claimed that all French people ought to be Gaullist insofar as they were French at all.[1] Abroad, in a general sense, Gaullist foreign policy implied a return to a French diplomacy which post-war international circumstances, together with a particular form of domestic instability, made unattainable during the Fourth Republic. Such a diplomacy was based on the principle of national independence, that is to say the refusal to accept any commitment which might imply the transfer of any part of the nation's sovereign rights. In its broad lines, this principle—as well as the specific policies and attitudes which stemmed from it—was widely accepted by the public and soon endorsed by the Opposition. Not surprisingly, then, it was continued by Pompidou, a few adjustments notwithstanding, especially in the areas of Atlantic co-operation (even though the Franco-American rapprochement actually began under de Gaulle late in 1968) and European integration (with

[1] Hence de Gaulle's boast that 'every Frenchman has been, is, or will be a Gaullist'. But the growing partisanship of the movement based on such doctrine made it possible for every Frenchman to have been, be, or become an anti-Gaullist as well.

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Pompidou clearly more favourable to Prime Minister Heath than to Chancellor Brandt).

Repoliticization without a foreign policy

But in May 1974, the narrow victory of Valéry Giscard d'Estaing over his Socialist opponent, François Mitterand, opened a third phase in the history of the Fifth Republic. No longer a man primarily (as under de Gaulle) nor a party primarily (as under Pompidou), the regime has been politically revived while it seeks new diplomatic directions. Or, with an eye on rhetorical balance, there is in the Fifth Republic under Giscard a repoliticization of the country *without* a foreign policy. Before examining the conditions of this repoliticization, we must consider the nature of the Giscard foreign policy during the first five hundred days of his presidency.

Clearly, and his extensive travelling notwithstanding, Giscard does not have the same penchant for foreign policy as de Gaulle or Pompidou. It is instead accepted reluctantly as one of the necessary instruments which might help achieve 'the transformation and guidance of the [French] society' (*Le Monde*, 22–23 December 1974). Gone is de Gaulle's ambition to transform the international milieu: the reshuffling which the General wished to promote, and which Pompidou accepted to endure, has not come out quite as expected. The threat for the preservation and expansion of French interests now comes from other unforeseen sources—the shortage of oil, the scarcity of food, and the availability of raw materials in an otherwise overpopulated world. These, which pre-empt independence by stressing the dependence of all on all—'*une prise de conscience supplémentaire entre les nations*' (*Le Monde*, 26 October 1974)—are 'problems of human kind . . . of the survival of the species . . . of [its] growth and progress' (*Le Monde*, 22–23 December 1974).

In marked contrast to his concern with such planetary issues, Giscard at first tended to discuss any potential threat to France's physical security as rather incredible ('*très peu vraisemblable*', *Le Monde*, 26 October 1974). Throughout 1975, however, such a rosy picture of international relations took on more pessimistic tones. 'We live,' Giscard declared on 25 March 1975, 'in a world which is still violent and in which the problem of security is therefore raised.' Such a problem is raised all the more vividly as, unlike de Gaulle who in the 1960s saw the sources of international disorder move away from Europe, Giscard now sees them 'coming closer to Europe' (*ibid.*).

It follows that while in 1974 Giscard endorsed France's nuclear force casually because 'all hypotheses must be covered', in 1975 such endorsement became more firm—'France must have an independent defence', that is to say, have both the means and the freedom of action which such a force requires (*Le Monde*, 27 March 1975). Being 'the third nuclear super-power in the world,' according to Giscard, strengthens the effec-

tiveness of deterrence by inducing eventual aggressors into escalating the nature of the conflict: 'Instead of waging a conventional war, they would be forced to take . . . the risk of nuclear war' (*ibid.*). Nor is such a force the 'phase' which it was said to be in mid-1974 (*Le Monde*, 27 July). In Europe, such an independent French force is a supplement to, and not a substitute for, American protection: thus, the withdrawal of American troops from Europe would be 'absurd', 'improbable', and 'contrary to the interest of the US, as well as to the peaceful balance of the world'. Underlying such evolution is Giscard's reassessment of the feasibility of European defence. There, too, the early optimism rapidly vanished: 'I think . . . that Europe may assume some day its own defence. . . [Its] human and material resources will probably enable it to organize its defence faster than it is believed to be possible' (*Le Monde*, 3 May 1974). One year later (*Le Monde*, 23 May 1975), Giscard discards the possibility of a European defence as premature—he has by then discovered the Soviet fears and the German objections.

Gone, too, is the obsessive concern with the acknowledgement of the state as the only valid unit of the international system, the only one capable of legitimate achievement. It is stated once briefly (*Le Monde*, 26 October 1974) and then put aside, as if in the light of the recent past it could be taken for granted. Indeed, with a civilization moving from a 'civilization of groups' to a 'world-wide civilization', national prerogatives must be progressively relinquished, preferably within the framework of Europe (*'l'Europe de la nécessité'*, *Le Monde*, 26 October), a Europe whose 'insufficient will', 'lack of dynamism and order' and resulting 'slow integration' are 'deplorable' (*Le Monde*, 22–23 December 1974). All in all, a new 'ethic of deliberation' is required, an ethic which needs to have 'a worldwide dimension' (*Le Monde*, 23 May 1975).

New style, old content

Unlike de Gaulle, Giscard does not appear to view his leadership as pre-ordained by God or by history to fulfill great deeds for the safeguard of the nation. His 'anti-Gaullism' here has been almost excessive—from his inaugural ceremony to the early meeting with the *boueux*—and at times even naive—such as the 'discovery' of Palestine as the unresolved issue of the Middle East *dossier*. The Republic must be 'dusted off' on the basis of a style which needs to be 'simple' and 'direct' (*Le Monde*, 27 July 1974). All in all the presidency is presented as a profession like any other by a Giscard who claims that he would not have waited for it, as he would have been just as pleased doing something else: 'I am very much of a relativist: one does not know anything, one never knows where life leads us. One knows nothing' (*Le Monde*, 3 May 1974). For the new French President, in sum, to govern is 'to manage the unpredictable' (*'gérer l'imprévisible'*, *Le Monde*, 26 October 1974), but to do so with confidence

and without complex.[2] Thus, for instance, Giscard perceives the search for an entente between the US and the Soviet Union as an attempt on the part of both of these states to avoid confrontation: they will therefore consult, and possibly might intervene together (and with others, including preferably France) in order to diffuse conflicts which might otherwise escalate into a generalized confrontation. There has been lesser concern, then, in Giscard, of a 'condominium' between the two nuclear powers: unlike Jobert who balanced his hostility between Washington and Moscow, he can balance his amity between the two—Brezhnev in Paris and then Moscow, and Ford in Martinique and then Paris via Brussels. Hence the policy of *mondialisme*, a form of *diplomacie à tous les azimuths* which finds the enhancement of France's prestige not in the presentation of new *French* initiatives but in her participation in, and/or support of, initiatives which are most likely to provide the optimum satisfaction of France's interests (*Le Monde*, 22–23 December 1974). The oil question is a case in point: a sound mixture of concessions (to Washington), rhetorical adjustments (multilateralism vs. trilateralism) and well-timed visits (to various Arab states including North Africa) further French efforts to promote a special relationship with the Arab world within a bilateral framework, while at the same time standing ready to take advantage of any benefits which the other consumer countries might obtain. Such a policy is, of course, typical of the Fifth Republic, that is to say, typical of a regime which, in external matters, has wanted (and has often succeeded) to combine the benefits derived from national independence with those derived from various international ties and commitments: to attack America's Europe without withdrawing from the Atlantic Alliance, to question America's nuclear deterrent without opposing American conventional forces in Europe, to 'oppose' an enlargement of the EEC without hampering its further growth. In short, what the Fifth Republic has denied, and what it has continued to deny under Giscard, is 'the equation of interdependence with harmony'.[3] More than ever, in fact, interdependence as such is acknowledged by the most enthusiastic Gaullists: 'We depend on several masters,' wrote Alfred Fabre Luce earlier this year, and 'French diplomacy seeks . . . a role of conciliation which may imply concessions somewhat awkward. It is right' (*Le Figaro*, 3 January, 1975). Yet, there are very strict limits to the harmony which Giscard,

[2] Most observers first discussed Giscard's gloomy analysis of 24 October 1974 as 'a nice intellectual exercise' (Thomas Ferenczi), 'short-lived and half-hearted' (André Fontaine). 'The world is unhappy. It is unhappy because it does not know where it is going and because it guesses that should it know, it would be to discover that it is going toward catastrophe' (*Le Monde*, 26 October 1974). But such pessimism has reappeared from time to time throughout 1975, and, in practice, Giscard has made it a habit to promise, successively or simultaneously, both happiness and the apocalypse.

[3] Stanley Hoffmann, *Decline or Renewal? France Since the 1930s* (New York: Viking, 1974), p. 285.

regardless of his personal preferences, may seek without facing opposition from, and retaliation by, his Gaullist followers so that, at least thus far, French foreign policy has remained generally both changing (in some of its procedures and concepts) and steadfast (in most of its specific policies).

It is such specific continuity (on nuclear defence and non-participation in Nato, for instance) which is the symbol of the continued influence of Gaullism as French foreign policy now receives a non-partisan support from all major political parties. (Who, from the Communists to the Right, would want to reverse such policies as the withdrawal from Nato, the continued special relationship with the Soviet Union, or the questioning of American hegemony in Europe?) But this institutionalization of Gaullism is not confined to diplomacy only. Abroad, Gaullism first required the opening of the Cold War 'cage' to permit de Gaulle's explosive intrusion in *les grandes affaires*. At home, as an 'anti-partisan partisan consciousness', Gaullism first required the triumph of what was national over what was partisan.[4] Initially, such a requirement was easily satisfied by de Gaulle: 'the great people brought together', as he wanted it, against the political parties including the Gaullist party itself whose potential 'inconvenience' needed to be kept 'quiet'.[5] In those days, the Fifth Republic was indeed neither a regime nor a constitution but a man, as so many observers noted.[6] But with de Gaulle's withdrawal, and his replacement by the chosen *dauphin*, the regime—by then based at least on an 'unfinished' constitution—became dependent on a political party—*l'Etat UDR*—as a Gaullist partisan consciousness preempted an Opposition which remained divided if not weak. (The weakness of the Opposition throughout the sixties need not be overstated: against de Gaulle in 1965, François Mitterand did receive almost 45 per cent of the votes; and against Georges Pompidou in 1969, Alain Poher did receive 42 per cent of the votes.)

This dual identity of Gaullism, however, was self-contradictory. Thus, throughout the 1960s, when building up the anti-partisan consciousness of France, the Gaullists were in the paradoxical position of arguing simultaneously for the perfection of the new institutions (that is to say the Constitution of 1958 as amended in 1962) *and* the indispensability of their leader.[7] Pointedly the Opposition could stress, as it did during the presidential elections of December 1965, that the very need for the General to run for the presidency was a reflection of his institutional failure. The

[4] Pierre Fougeyrollas, *La Conscience Politique dans la France Contemporaine* (Paris: Denoël, 1964), p. 139.

[5] Anthony Hartley, *Gaullism, The Rise and Fall of a Political Movement* (London: Routledge and Kegan Paul, 1972), p. 3.

[6] Raymond Aron, for instance, in *France, Steadfast and Changing* (London: OUP, 1960), p. 136.

[7] See a lengthier treatment of these points in my *France, de Gaulle, and Europe*, pp. 89 ff.

debate, then, was over the regime—not an unusual occurrence in France where the Opposition has never been fully satisfied with the criticism of policy.[8] In simplistic terms, the issue was presented in terms of a choice between the worst possible historical alternatives: would the Fifth Republic be replaced by the Fourth Republic (as the Gaullists themselves warned), would it become the Third Republic or even the Second Empire (as the Opposition ironically pondered) or would it evolve into a Sixth Republic (as the Opposition's calls for constitutional reforms implied). That such fears would not have materialized should not be surprising. Encouraged by the continued growth of public support for these institutions—a support which grew even further following de Gaulle's withdrawal—the Socialists and the Communists too concluded, between February 1968 and June 1972, that in its essence the Constitution of the Fifth Republic, however 'unfinished', was nevertheless the best available. Hence, the end of the *guerre des républiques*, as Jacques Chaban Delmas once called it, as the political game now takes place *within the existing constitutional framework.*[9]

Domestic alignments

Successful as an anti-partisan consciousness, Gaullism has been less fortunate as a partisan political force. From the very beginning a majority party before being a party at all, the UDR wanted to achieve a closer identification with the General (in order to increase its parliamentarian majority) while maintaining a certain distance from him (to establish its identity and secure its survival). Under de Gaulle, the party received its impetus from the charismatic appeal of its heroic leader. Under Pompidou, such impetus was not lost but now stemmed from a sense of prosperity as well as from the fear of an alternative which the nation had seemingly tasted and discarded in May 1968. Following Pompidou's death, however, the party found itself with neither leadership nor identity, as its many self-appointed leaders (Messmer, Charbonnel, Chaban, Debré, etc.) had no distinct identity on any one of the major campaign issues. Thus, the electorate could perceive neither much substantive difference between Giscard and Chaban, nor the 'adventurism' of the Common Programme. It was therefore possible to vote against the Gaullist candidate without voting against Gaullism (or to vote for Mitterand without voting against the regime), just as, once elected,

[8] Jacques Fauvet, *La France Déchirée* (Paris: Fayard, 1957), p. 73.

[9] See René Chiroux, 'La fin de la crise constitutionnelle française?', *Revue Politique et Parlementaire*, September–October 1974, pp. 21–45. There are still, of course, a few differences including the length of the presidential term—which Giscard wants to reduce—and the Art. 16—which the Common Programme wants to eliminate. But the point here is that, in contrast with the presidential elections of the 1960s, the institutional problem was not at the centre of the last elections as neither the popular election of the President, nor the very principle of a strong presidency, were questioned by any major candidate.

Giscard found it possible to ignore the Gaullist deputies without being opposed by them (as initially composed, the Chirac government included 5 UDR ministers for 184 UDR deputies, as compared to 4 for 34 for the Réformateurs, and 4 for 55 for the Républicains Indépendents).[10] Aware, however, of the necessity to preserve the alignment of his parliamentarian majority with his presidential majority, Giscard soon urged Chirac to control and contain the UDR's erosion and divisions of early 1974, and in the process satisfy new party ambitions before the next legislative elections. By mid-June 1975, such a task had been essentially fulfilled and Chirac's leadership of the party is now generally unchallenged, a few isolated voices (Debré, Sanguinetti) notwithstanding.[11] But how long can both Chirac and the UDR remain satisfied by such status quo is still to be seen.

The uncertain nature of the pro-Giscard majority is further compounded by the very institutional framework of the Fifth Republic. As indicated previously, the French Constitution remains unfinished: it frames neither a parliamentarian regime (because of the substantial powers of the President and his popular election) nor a presidential regime (because of the responsibility of the Government to a parliament which is elected on its own terms). There is technically a double executive —the President and the Prime Minister—and a conflict between these two sources of power, if and when caused by the existence of two different majorities, cannot be easily resolved. In the past, to be sure, there were disagreements between the President (Pompidou, for instance) and the Prime Minister (Chaban-Delmas, for instance), but the presidential majority and the parliamentary majority remained essentially the same as the President was also the leader of the majority party and thus could, and did, dismiss his Prime Minister at will—as Pompidou did with Chaban. Unlike his predecessors at the presidency of the Fifth Republic, Giscard, however, is not the legitimate head of the majority party of his parliamentarian coalition—the Prime Minister is. Of course, support by the UDR for the Prime Minister against the President would be in flagrant contradiction with the Gaullist preference for a strong president. It would also go in the long term against Chirac's own preferences. And, in the immediate future, it could effectively be contained by a presidential threat of early legislative elections, which are neither wanted by the

[10] In effect, Giscard's renewal of France's leadership is striking. Thus, formed in January 1947 by Paul Ramadier, the first government of the Fourth Republic included 7 former ministers of the Third Republic (out of a total of 27). The first government of the Fifth Republic included 11 'leftovers' from the previous regime (out of a total of 23 ministers only). In June 1974, no member of the Messmer government, with four exceptions, was included in the Chirac government. Indeed, 27 out of 35 of its members had never attended a Council of Ministers. See Daniel Amson, 'Le gouvernement Chirac: une nouvelle classe politique au pouvoir', *Revue Politique et Parlementaire*, July–August 1974, pp. 25–33.

[11] See André Passeron, 'Un an de gouvernement Chirac', *Le Monde*, 29 and 30 May 1975.

Gaullists (who fear defeat) nor by the Left (who fear that victory might come at an unpropitious time). Yet, all of this notwithstanding, the UDR can withdraw its support for Giscard—because of, or in spite of, Chirac—in which case the latter would have to turn to the Left for his new parliamentary majority.

Such an ever possible option naturally enhances Giscard's sensitivity to the criticism and preferences of the non-Communist Left, a sensitivity in any case aroused at first by the closeness of his presidential victory. With the boundaries of his independence in the field of foreign policy closely guarded by his Gaullist supporters, Giscard finds his independence in the field of social and economic policies also limited by his fear of a confrontation with tomorrow's potential allies. Not surprisingly, then, Giscard has accumulated a somewhat impressive and well-known social record over the past ten months. Yet, as it is the case with every other head of state of the industrialized world, Giscard's economic and structural problems remain enormous. Although he has survived well the labour disputes of the past two years, he can still expect difficult confrontations with the unions, especially as unemployment stays at its present, excessive level; even though he has been successful in containing inflation, this is not enough and he must now roll it back; and even though his aggressive search for new markets in the oil-producing countries has been moderately successful, he still faces substantial monetary difficulties.

Conscious of such questions—to which would have to be added such further issues as the disintegration of the university, the malaise in the army, the threatened bankruptcy of the social security system, the conflict between police and justice, the agitation in Corsica and in Brittany—the French President acknowledged, in the summer of 1975, that 'a change of direction' was required, 'a different growth towards another economy with different structures' (*Le Monde*, 2 August 1975). But by the end of the year such a call had not been better defined, let alone truly implemented.[12]

Yet, without more widespread success in these areas, Giscard will find it difficult to achieve the relaxation of political tensions which, in the face of the growing repoliticization of France, has characterized his presidency thus far.[13] In practical terms, a relaxation of tensions would imply the possibility of an opening to the non-Communist Left—whether the UDR maintains its present parliamentarian strength and cohesion (which might make it too dangerous to Giscard's authority) or not (which

[12] See Pierre Viansson Ponté's analysis in 'L'incantation et l'action', *Le Monde*, 5 December 1975. Interestingly enough, Viansson Ponté concludes by recalling (ominously?) that neither the Republic nor the Constitution have been changed in now sixteen years.

[13] See, for instance, Giscard's plea for a '*décrispation*' of politics in France on 30 June 1975. Needless to say, the call was not heard: by late October, with everyone insulting everyone else, Raymond Barillon called it instead 'sur*crispation*' (*Le Monde*, 28 October 1975).

would make it insufficiently reliable). Such a scenario is not so excessive in the light of the continued struggle which has opposed the French Communists and Socialists throughout 1975. Going beyond Georges Marchais' personal attacks against François Mitterand ('increasingly self-assured and domineering', *Le Monde*, 12 February 1975), the Communist Party has been, of course, embittered by the electoral ascendancy of the Socialist Party. In Marchais' words, 'victory for the Left could not be built on the basis of a weakening of the Communist Party and of the influence of its ideas on the working class' (*Le Monde*, 30 May 1975). Seemingly, the Communist leader has assumed that 'a better balance of forces' could be achieved through a revival of the Communist revolutionary fervour which would then be compared to the history of the Socialist Party, a history which, in the eyes of the French Communists, is full of instances of bourgeois corruptibility. By the end of 1975, however, Marchais appeared to be moving in a different direction: his surprising accord with the leader of the Italian Communist Party and his unprecedented attack against Moscow over the issue of labour camps might reflect an interest in improving his electoral position through additional national legitimacy. Thus, while Mitterand earlier went to Moscow in order to gain class acceptability, Marchais now criticizes Moscow to enhance his party's national acceptability, while Giscard attempts to keep them all divided by questioning in Moscow the party's commitment to détente, and at home its commitment to constitutional law and order.[14]

In conclusion, thus far, Giscard has shown much flexibility in dealing with both domestic and foreign affairs, as it is being imposed upon him by a domestic and international setting which are far more complex than they were under his predecessor. At home, Giscard's victory has meant both the triumph and the demise of Gaullism; *plus c'est la même chose* (the structures, the composition of the majority) *et plus ça change* (the decline of the Gaullist Party and the possible return to a system of floating majorities). Abroad his policies imply more conciliation with the allies and protagonists in a continued search for a middle way between the super-powers and the wealthy developing states: *plus ça change* (generally) *et plus c'est la même chose* (specifically).

[14] Mitterand's visit to Moscow, several times postponed, took place in late April. (See *Le Monde*, 26 and 27–28 April 1975.) Less than one month later, Marchais announced the opening of new 'negotiations' with the Socialist Party (*Le Monde*, 30 May). While in Moscow, Giscard, unhappy with the active support the Russians give to the French Communist Party, called for 'détente in ideological competition' in order to eliminate 'excessive tensions'. Earlier, at the time of his own visit to Moscow, Prime Minister Chirac had asked the Soviet leader to tell the French Communists to show more comprehension for the official French view in the area of defence (*Le Monde*, 25 March 1975). Finally, in early December Giscard's right-hand man, Michel Poniatowski, more explicitly labelled the French Communist Party 'une organisation de désordre et d'illégalité' (*Le Monde*, 6–7–8 December 1975).

Wider but weaker: the continued enlargement of the EEC

WILLIAM WALLACE

The European Community needs to define its attitude on constitutional democracy, its role in the Mediterranean and the contribution its richer members are prepared to pay for the economic development of poorer entrants before it starts on the road to further expansion.

THE European Community was never intended to be an exclusive club. Article 237 of the Treaty of Rome states simply that 'Any European state may apply to become a member of the Community'—reflecting the hopes of the original signatories that Great Britain and the Scandinavian countries, which had refused to go along with their plans for economic integration, would in time apply to join them. The British application, together with those of Ireland, Denmark and Norway, followed in 1961; but for one reason or another it was not until 1973, 15 years after the EEC had come into existence, that three of these four countries at last took their place in an enlarged Community. After three years of membership, the successful completion of the British 'renegotiation' and the subsequent referendum, Mr Callaghan noted in his Hamburg speech of 22 January 1976 that the Community had now successfully 'come through the trauma of enlargement'.

His confidence may, however, be misplaced. The traumas to come may well be far more severe than those which the first round of enlargement set off within the Community. The prospect now opens of a succession of applications from different countries, each posing considerable economic and political problems for the EEC. Each might be expected realistically to take three or four years from application to entry, so that it is not impossible that the Community could be discussing the question of enlargement practically continuously over the next 10–15 years. The Greek Government presented its formal application for membership on 12 June 1975, only days after the British referendum. By 1980 a Spanish government with acceptable democratic credentials may well have

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opened negotiations; and behind Spain, in the course of the 1980s, Portuguese and Turkish applications might be in prospect, if not also from Cyprus and Malta.

Implications of 'two-tier' concept

Looking back to the Community debate about the first round of enlargement, one may find some pointers for the future. The ambivalence displayed in some quarters, notably but not exclusively in Paris, towards the four applicants reflected an underlying fear that a larger Community would be a weaker entity: that the new entrants would slow down the pace of integration, and would 'dilute' the distinctiveness of the Community's developing 'identity'. It was the Commission which pressed for a favourable attitude towards enlargement, the Council—most directly the French Government, of course—which expressed caution. The applicant members presented relatively modest problems of economic and political adjustment with the original Six, compared to those presented by the Greek application and by its potential successors. Only Ireland was markedly below the Community average in terms of economic development; the depth of the malaise within the British economy did not become fully apparent until membership had been negotiated. All had well-established and apparently stable forms of democratic government, and full guarantees of civil rights and individual liberties; though the domestic political turmoil over Community entry tore open the fabric of Norwegian party politics, severely strained political loyalties in Denmark, and disrupted British politics for nearly two years. The concept of a 'two-tier' Community, first floated by Willy Brandt and now taken up in the Tindemans Report, is partly a reaction to the problems of a Community of Nine. The Six could, after all, carry if necessary one weak member; two weak members among nine, however, threatened to impose too heavy a burden. In the context of the EEC's commitment to move towards economic and monetary union, the 'two-tier' concept reflects the reality of the current situation, with neither Britain nor Ireland (nor Italy) at present in the currency 'snake'—the chosen symbol of progress towards union.

If the criteria for Community membership were based simply upon economic compatibility and political acceptability, a number of current non-candidates would appear rather more appropriate members than those now lining up to apply. Sweden and Norway have strong economies, closely associated with that of Germany; their currencies have floated easily alongside the snake. Switzerland and Austria are necessarily excluded from seeking membership, at least in the foreseeable future, though Switzerland applied to join the snake last year, and the Austrian economy is intimately linked to the Community as a whole. Any of these four countries would find a place in the first tier of a two-tier EEC; it is,

rather, ideological or neutralist hesitations which hold them back from membership.

The prospective candidates on the Community's southern flank, however, would qualify at best for a future second tier. All of them, certainly, have close links with the Community economy; but they are links of dependence rather than interdependence. Greece, Turkey, Spain and Portugal are among the EEC's major suppliers of foreign workers. In return they have received waves of tourists, and flows of investment, but not the concessions on their agricultural and industrial exports or on social security payments for their citizens that they have asked for. The attitude of most Community member governments, most clearly of the British and the Dutch but most probably also of the German, the Danish and the Irish, is to treat their future relationship with the Community in a piecemeal fashion, hoping to agree upon the terms for Greek membership without necessarily pre-judging their attitude to Spain, for example, or Turkey. It will be argued in what follows, however, that there are common problems in each of these potential applications on which the Community needs to define its attitude before it starts out upon the road to further expansion: most importantly its definition of constitutional democracy, its interpretation of its role in the Mediterranean, and the contribution its richer members are prepared to pay for the economic development of poorer entrants.

The Greek application

The principle of Greek membership has already been accepted, both by the Commission and the Council. The commitment to eventual Greek membership had, indeed, been made in 1961, when Greece became the first state to sign an association agreement (under Article 238) with the EEC. That agreement envisaged a 22-year transition period, leading up to full membership in 1984. The Commission's motive in offering this long-term prospect was said at the time to be its concern to get round the obstacle of GATT, which prohibited discriminatory trade agreements except when they were intended to lead to an eventual full customs union. The 1967 military coup led to a 'freezing' of the agreement, with only limited official discussions continuing. The Commission and the European Parliament publicly supported the democratic resistance in the years that followed, and welcomed its leaders to Brussels when in 1974 they re-emerged as ministers in the first post-coup Greek Government. Since then the Karamanlis Government has made the issue of Greek membership of the EEC a fundamental plank in its political platform and a test of its international respectability—searching, perhaps, for a new relationship which could bring political and economic support, to replace the American connexion which has now become unacceptable to Greek domestic opinion. From the first exploratory discussions in September

1974, Community Governments have competed with each other in their support for Greek membership, without spelling out their hesitations over the details to be negotiated. It has become clear that any public questioning of Greek acceptability will be treated by the Karamanlis Government as a direct rebuff. The Commission itself suffered the rare experience of a public split, with the two French and two Italian Commissioners dissenting, in adopting its 'Opinion' on the Greek application in January 1976. This relatively cautious appraisal, with its call for a lengthy transitional period, provoked immediate and intensive lobbying by Greek ambassadors in the capitals of the Nine. The Council of Ministers in quick response, on 9 February 1976, reaffirmed its commitment to Greek membership at the earliest possible opportunity. It failed, however, to face up to the detailed problems outlined in the Commission's report: the difficulty of disentangling Greek entry from the Cyprus conflict and the whole future relationship between Greece and Turkey, the scale of adjustment demanded of the Greek economy, and the inhibiting effect which negotiations for further enlargement are likely to have upon the Community's institutional development and working methods. The impression the outsider receives is that Community Governments have not themselves thought through the implications of Greek membership. Some, at least, have agreed to open negotiations in the hope either that they will be able to prolong the negotiating process long enough for some of these problems to solve themselves or that they will have time to define their own position more closely at a later stage. This is not a dynamic approach to the problem of enlargement. *The New York Times* (on 17 August 1975) summed it up appropriately:

> The acceptance of Greece as the tenth member of the European Economic Community seems virtually assured, since none of the nine current members would oppose the application publicly.

The case of Spain and others

Some officials in Brussels and national capitals are confident that the Community can successfully complete negotiations with Greece before any other potential candidates submit a formal application. Turkey's association agreement with the EEC, on its revision in 1970, also included the prospect of eventual full membership, by 1992, the long transition period reflecting the far greater underdevelopment of the Turkish economy. The present Turkish Government has offered no public objections to the Greek application, but has emphasized that it has no immediate intentions of following suit. The situation in Portugal is still too fluid for any firm predictions to be made about the future evolution of her relations with the Community; and her economy, though more advanced than Turkey's, would need massive assistance to enable it to cope with Community membership within the next decade. It is Spain which is the

most likely next contender, in spite of the Council's disagreement on 20 January over the reopening of the trade agreement negotiations which were broken off last September in protest against Spanish executions of political prisoners.[1] Spain's gross national product per head approximates to those of Greece and Ireland; her industrial base is better prepared for EEC competition. If Britain, the Netherlands, Denmark and Italy wish to impose the strictest of conditions on progress towards constitutional democracy, France and West Germany are reported to be favourably inclined towards closer association, perhaps even to some sort of 'candidate-membership'. If domestic politics in Spain evolve fairly rapidly towards free elections and constitutional government, a Spanish application would soon be pressed upon the Community.

Further enlargement poses a number of awkward economic questions for the existing members. The absorption of new and poorer countries will both act as a brake on the development of common policies and present a heavy burden upon the Community's limited resources. If the Nine are prepared to accept the two-tier principle, so that the core of five or six strong economies can surge ahead in developing common monetary, economic and industrial policies without waiting for their weaker partners, then in one sense the damage which further enlargement may cause to economic union may be limited. But if, as Mr Callaghan remarked in his Hamburg speech on 22 January, 'the belief that over a period of time the second tier would attain the same level as the first tier should prove false, and on the contrary the distance between the first tier and the second tier were to grow substantially greater', the Community as now envisaged would effectively be destroyed. The Commission opinion on Greece found it impossible to estimate the scale of the transfer of resources which would be required to bring the Greek economy into line with its new European partners, but made it clear that it saw these as very considerable. The thirty-five million people of Spain, for all their firmer industrial base, would necessarily call upon a much larger contribution from the Community for their economic and social development than the nine million Greeks. If for political reasons either Portugal or Turkey should be considered as a Community member within a shorter time-scale than the 10–20 years at present in mind, the costs would be comparable or larger. These new resources could be expected to come partly from a redistribution of current transfers within the Community: to the disadvantage of Britain, Italy and Ireland on the Regional Development Fund, and of France on the Agricultural Fund. They would, however, have to be supplemented by substantial additional Community revenue, which would not only increase the burden on the German taxpayer but must, for the first time, make France a large-scale

[1] At the Council's meeting of 9–10 February, the objections to the reopening of these negotiations were withdrawn, but no date for their resumption was set.

net contributor to the Community funds. It is possible that the French Government will accept this shift, in return for the political advantages it sees in Greek and Spanish entry; but it might not be easy to sell such a policy to its domestic public.

The details of the negotiation with Greece will also throw up some tricky problems for the Common Agricultural Policy (CAP). Any further negotiations with Spain would throw up comparable problems. This is one reason, among many, for considering these potential members as a group rather than one by one. Both Spain and Greece are exporters of wine and olive oil. Spain is one of the largest producers of citrus fruit in the Mediterranean, while Greece directly competes with Italy in peaches and tobacco. Whatever their political commitment to the principle of enlargement, the Italian and French Governments will be unable to ignore the likely hostility of their own domestic producers to concessions on these products. Other Community members might wish to use the prospect of enlargement as a lever for a fundamental reform of the CAP, but to attempt to do so would only prolong and complicate the negotiations. The industrial competition which Spain, in particular, would offer the Community would also be unwelcome to countries like Italy and Britain. The likelihood is that negotiations would be hard fought and long drawn out, and that their eventual success would depend not only on the acceptance of an extended transition period but also upon the provision of resources from Community funds both to new entrants and the present members on a scale far above what has been envisaged so far (through, for example, the Regional Development Fund, the Social Fund, and the European Agricultural Guidance and Guarantee Fund).

Effect on institutions

After a long period of institutional inertia and three years of painful adjustment to the enlargement of 1973, the decks now seem to have been cleared for some real strengthening of the Community institutions. The powers of the European Parliament over the budget have been extended and exercised to considerable effect. Direct elections have at long last been accepted by all nine member Governments. The Council of Ministers, to the surprise of many observers has begun to improve its efficiency and even, with the encouragement of the Irish during their presidential term, to take the occasional majority vote. The Tindemans report and the discussions it has provoked have reopened the general question of institutional reform and gone some way to starting a wider public debate.

There is no doubt that the Community institutions can cope with the absorption of yet new members. What must be questioned is whether the Community can hope to make any further progress towards its declared goal of European Union at the same time. It may be, as some

officials have argued, that any new entrant will want to support the strengthening of the institutions in order to demonstrate its commitment to the European enterprise. But domestic opinion in Greece—and a fortiori in Spain—has not been prepared by its government for any substantial transfer of sovereignty to a distant and as yet little known set of institutions in Brussels. In Greece, at least, there will be some vocal opposition from the Left to the principle and practice of membership. This suggests that Greece may come to resemble Denmark in her attitude to institutional development, with her government looking anxiously over her shoulder at domestic opposition.

Dr Garret Fitzgerald, the Irish Foreign Minister, has argued that certain specific institutional reforms must be a condition of further enlargement. In a Community of 10 or 11, acceptance of majority voting as a normal procedure will become even more vital if decisions are not continually to be blocked on grounds of national interest. The allocation of portfolios and posts within the Commission on the basis of 'geographical quotas' should be abandoned in favour of a more genuinely super-national civil service. There must be some limit set to the number of official Community languages. It is not easy, however, to see either the new entrants or present members accepting the logic of this. If they do not, the EEC will either develop towards a looser entity resembling the Free Trade Area which Mr Reginald Maudling attempted to introduce in 1959, or it will have to accept a drift towards dominance by the big powers.

There is little evidence that the Community has yet appreciated the political problems of extending its southern boundaries. The French Government has a clearer conception of the Community's 'Mediterranean vocation' than its partners, reinforced by its conviction that Greek and Spanish entry will 'redress the balance' upset by enlargement to the north. Extension of the Community into the Eastern Mediterranean will raise serious political and strategic questions. The argument that membership can bring political stability to unstable democracies is unproven. The United States appears to see membership as strengthening the hand of centrist governments against the threat of Marxist opposition. But the leftist trend in Southern Europe, in Italy as well as in the potential entrants, may not be so easily staunched; and it would be advisable for the British and German Governments, among others, to consider at this stage the impact which the participation of Marxist parties in Community member governments will have, not only upon the EEC itself but also upon Atlantic relations. Behind these immediate arguments also lie American and European concerns over the security of the Mediterranean. It has been widely reported that the German Government has pressed Greece to reconsider her attitude to Nato as a condition of EEC entry. The US Administration sees Spain's acceptance into Nato and the EEC as twin guarantors of her future contribution to Europe's

security. The continuing problem of Cyprus raises sensitive issues for the Community. Relations with Yugoslavia, after Tito's death, will be more central to the Nine after Greek entry. Direct Community involvement in the East Mediterranean clearly makes the search for an active European foreign policy, and the acceptance within it of a common defence element, more urgent.

It may be that the Community will seize the challenge presented by further enlargement to sort out the tangle of economic, institutional and political dilemmas which it raises. The experience so far, however, offers little hope that this will happen. On the contrary, Community governments seem reluctant to face up to the awkward choices ahead. For foreign ministers and prime ministers the idea of a Greater Europe seems in itself to have sufficient appeal, without provoking them to ask whether this Greater Europe will be a stronger or weaker entity. The English patriotic song 'Land of Hope and Glory' includes the lines:

> Wider still and wider shall thy bounds be set,
> God who made thee mighty, make thee mightier yet.

For the European Community, 'wider still' may mean instead 'weaker yet'.

The European Community and Southern Europe

The implications of Greek and Spanish accession to the European Community will be discussed further in articles by John Pesmazoglu and David Rudnick in the April issue of *The World Today*, which will also contain an article by K. F. Cviic on the future of Yugoslavia.

Influence without power: small states in European politics

MARIO HIRSCH

'The super-powers are like two giants who try to walk through a crowded room, in which they are not only slowed down by a pack of midgets but pushed aside by men of normal size, and cannot hit back.'—Stanley Hoffmann[1]

WHILE international politics seem to be largely dominated by those states which are generously endowed with the traditional attributes of power and which have a precise and vigorous conception of their national interest, an equally plausible way of examining realities in international relations would be to consider them in terms of David and Goliath. Today it seems clear that the confrontation between small power and great power (if this simile is accepted) becomes a naked confrontation only in crisis situations. In other situations it would probably be more appropriate to speak of tests of wills and skills, not unlike the quality of cunning which Machiavelli recommends to the Prince. If this holds true, and if one takes into consideration the factors which inhibit great powers when they try to make use of their power attributes, the influence relationship between small and great powers is not characterized from the very start by a fatal imbalance that dictates a course of action inevitably and without any other alternative. While the intention of this article is at no point to question the primacy of the great powers, it is based on the belief that the analysis of international relations will become more subtle and more accurate if the emphasis is put on the dynamics and on the context of the international system.

Indeed it seems, and increasingly so, that the international order has acquired a new multi-hierarchic character largely due to the successful questioning by the small and middle powers of the hegemony of the super-powers. If this assumption is anywhere near accurate, in the evolving international system, in which the political rather than the military strength of the super-powers is reduced relatively to other states, the influence of the small and middle powers is bound to grow. It should not, of course, be forgotten that this new and promising international predica-

[1] See his *Gulliver's Troubles, or the Setting of American Foreign Policy* (New York: McGraw-Hill, 1968), p. 70.

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ment continues to be overshadowed by nuclear deterrence. But the more unlikely the apocalypse becomes, the greater will be the autonomy of various sub-systems (resulting, for instance, from the regional decentralization which is occurring in Western Europe).

Of course, it might be questioned whether the countries we refer to as small powers form a distinct class, implying a specific kind of behaviour in international relations. Working definitions of abstract terms such as size, effectiveness, responsiveness, independence and autonomy, frequent though they are in political science, often lack relevance when applied to real situations. This article certainly does not try to draw up a general paradigm of small states in international politics. It is concerned, rather, with the argument that they tend to be more than a dispensable and non-decisive increment to a great power's array of political and military resources.[1]

If we take into consideration the context in which foreign policy is shaped and the issues which are at stake, it is perfectly possible for a state to be both small and big at the same time. Thus, as we shall see, it is no exaggeration to speak of the great influence of small states in alliances.

Economic vulnerability

When examining the political and economic system of small states, certain structural similarities are apparent. These do have a definite bearing upon the foreign relations of these states, in the sense that the quality of a foreign policy depends largely on the articulation of national capabilities for the pursuit of foreign-policy aims. The economic system tends to be characterized by a less diversified structure and a high degree of concentration. Furthermore, owing to the narrowness of the domestic market, it will be export-orientated to a marked degree (the extreme case being that of Luxembourg where foreign trade accounts for more than 80 per cent of the GNP and the activities of the steel industry account for almost two-thirds of exports). Besides, foreign trade tends to be concentrated on a small array of foreign partners which are thus able to exert a strong 'domination effect' on the small country. Indeed, the desire to diversify their foreign markets and to free themselves from this effect has given some small states a strong motivation to join the European integration process and thus to avail themselves of a domestic market freed of the uncertainties which are typical of foreign trade. This was highlighted only last year, in the wake of British renegotiation, by Ireland. The opening of EEC markets for Irish farm exports has ended Ireland's almost exclusive dependence on Britain. This dependence had a marked

[1] The author has developed theoretical considerations about small states in international politics in greater detail elsewhere: cf. 'Die Logik der Integration. Ueberlegungen zu den Aussenbeziehungen westeuropäischer Kleinstaaten,' *Europa-Archiv*, 13/1974 and 'La situation internationale des petits Etats', *Revue Française de Science Politique*, 5/1974.

domination effect, since Britain's cheap food policy has traditionally depressed Irish farmers' prices. After only one year's membership the situation had already developed favourably for Ireland. Irish exports to EEC countries, excluding Britain, rose from 17 per cent of total exports (1972) to 21·3 per cent (1973). Imports from the same group of countries rose from 18·4 per cent to 21 per cent. Exports to Britain fell from 60·8 per cent of the total in 1972 to 54·6 per cent in 1973. The importance of this 'multiplier effect' was made clear by the Irish Foreign Minister, Mr Garret FitzGerald, when commenting on the renegotiation speech made by James Callaghan in Luxembourg in 1974: 'The economic advantages for Ireland are very great indeed of a common market which guarantees us against exploitation by Britain through a cheap food policy. We have no intention of returning to that situation.'

Advantages of European integration

For the smaller European countries there are considerable pay-offs for joining in the European integration process. These pay-offs are certainly not limited to economic matters. As opposed to the larger European countries, the smaller states, unhampered as they are by a tradition of imperial grandeur, interpret their participation in the EEC not as a loss of sovereignty but as an enhancement of their potential role. This policy option increasingly characterizes their foreign policy. A good indication seems to be the fact that none of the smaller European countries, including neutral states such as Finland and Austria, which had to overcome considerable political obstacles—such as Soviet disapproval, has stayed outside the circle of attraction exerted by the EEC, be it directly through membership or by the way of trade agreements. Of course, the main reason is probably the overwhelming position of the EEC as a powerful trading bloc. Nevertheless, an association with the EEC is interpreted as the surest way to escape from an over-exclusive dependence on one of the two super-powers. This does not mean that the EEC is completely free from hegemonic effects exerted by its larger members on the smaller countries. But the performance of the Benelux countries in particular has proved that, inside the club, these countries can develop an effective capability to counteract such tendencies. No matter how one looks at the integration process as a foreign-policy option, it is beyond doubt that their leverage is considerably increased by pursuing it. This is especially striking if one compares the pre-war situation of then neutral countries such as Belgium and Luxembourg with their present international stance. Before the war, they scarcely had any international existence of their own, being not much more than dispensable and non-decisive increments to the balance-of-power game played out by the European powers, to whom they owed their existence as 'independent' political entities for precisely these reasons. After the war, and because of the

vicissitudes of European integration (in the first European Community to be created, the ECSC, they had a weight of their own that was far from negligible), they experienced a considerable upgrading in the field of international relations. This was due not only to their being full members of the European Communities; by taking advantage of the increasing role of the Communities in world affairs, they obtained their share of the new capabilities and responsibilities which resulted from the power enhancement of the EEC. The most striking illustration of this came earlier this year with the election to the presidency of the UN General Assembly of the Prime Minister of Luxembourg.

Attitudes to Fouchet Plan and Atlantic Alliance

This is not to say that small countries have an easy stand once integrated into a close institutional relationship such as an alliance or a community. Despite institutional safeguards that keep these from being overplayed, power differentials remain and one can never be quite sure that the larger countries will resist the temptation of flexing their domination reflexes. An obsession of the smaller countries is to prevent this from happening. Inside the European Communities their policy has always been to strengthen the supranational elements, rather than to be caught in the tricky mechanism of intergovernmental co-operation, which has remained the preferred approach of the larger member states.

This attitude derives partly from the feeling that supranational mechanisms will guarantee due consideration for the community interest in which they have a pronounced stake, the community interest being generally in line with their own national interest. Apart from this parallelism of approach, the smaller countries can count, within the supranational co-operation mechanism, on an alliance with the Commission of the European Communities. Intergovernmental co-operation is, on the contrary, the area where naked considerations of national interest are brought forward without the restraints and balance mentioned above, and where the outcome will largely depend on the respective weight of the protagonists. The most significant example of this difference in outlook between smaller and larger countries in the EEC is of course the hotly debated Fouchet Plan of the early 1960s. The Dutch and, to a lesser extent, Belgian[3] opposition to the French proposals was quite definitely motivated by fears of hegemony inside the proposed political union. The assumption was that a system with a federalist orientation would respect the personality of the small states whereas the intergovernmental system proposed by President de Gaulle would lead inevitably to a ruling coalition between France and Germany. The Dutch proposal to accept the discussion of political union on condition that Britain would be brought

[3] Luxembourg had a rather lukewarm attitude.

into the scheme (the so-called '*préalable anglais*') was conceived a[s] countervailing safeguard against the spectre of Franco-German dom[i]nance. The other issue of contention at that time (and it has marked t[he] debate inside the Community ever since) was the view of the small coun[-]tries that European integration and Atlantic co-operation need not b[e] mutually exclusive. The 'American connection' has been and continue[s] to be an essential element in the security policy of the smaller state[s] which are members of the Atlantic Alliance. This is an interesting ques[-]tion which makes explicit a specific small-country reflex: knowing quite well that their security cannot be organized by themselves, they give their preference to the security guarantee of a strong, trustworthy, but far-away friend, rather than trusting a strong, but neighbouring friend, whose ability to provide a reliable security framework might be questioned and who might be suspected of wishing to extract many more political concessions in exchange than the distant protector. This attitude was expressed forcefully in June 1974 during the ministerial session of the Atlantic Alliance in Ottawa dealing with the elaboration of the Atlantic Declaration. The Netherlands, which were opposed to the formula that recognized a separate deterrent rôle for the nuclear forces of Britain and France, made public an 'interpretation' expressing strong reservations about creating an autonomous European defence system. But the state of the Alliance, in the light of the super-power dialogue is bound to frustrate the smaller member countries in that they have no say in these important matters which are dealt with in the exclusive dialogue between the United States and the Soviet Union. Consequently they periodically voice their frustration and resentment. For instance, it became known after the June 1973 ministerial session of the Atlantic Alliance in Copenhagen that Belgium strongly resented the exclusion of the smaller and medium-sized West European allied countries from the higher reaches of the force reduction talks (MBFR) so as to permit, in effect, a direct dialogue between the super-powers.

Common stand at CSCE

It is no surprise that the smaller countries developed a common conception, if not a common stance, in order to oppose such a state of affairs [i]n which they are overlooked as '*quantités négligeables*'. During the pre[p]aratory talks for the European Security Conference (CSCE) in Geneva, [o]ne could see the opposition of two contending approaches to European [r]elations, which could be summarized as follows:

- the traditional approach shared by the two super-powers according to which it is up to the great powers to consolidate or to change, in their own interest, the power balance, using the smaller states as mere pawns in their game;
- [t]he approach of the small Western, neutral and even Communist states,

which favoured an increasing democratization or opening up of international and especially European relations.

The latter position was explained forcefully by the head of the Yugoslav delegation, Mr Ninchich: 'We do not want to be manipulated by the great powers nor become victims of their combinations. We refuse to admit that European co-operation can be built without us. We ask for a genuine conference on co-operation and security.' The Romanian argument that a standing East–West institution would be the best safeguard, as a follow-up to the conference, against the pressures of the larger countries—an attitude explicitly endorsed by Spain, Switzerland and the Scandinavian countries, should be interpreted in the same light. Public declarations by politicians from the smaller European countries reveal the same kind of preoccupation. The Swedish Prime Minister, Mr Olof Palme, is an interesting case in point. He has often stated his concern that agreements between the two super-powers—under the sign of 'détente'—might bypass the interests of the smaller countries. The Soviet reaction to this has invariably been to accuse him of Maoist thinking. What is at stake here is the concern that Soviet–American agreements might have a bearing on Sweden's security situation, without Sweden being able to influence them. It is sufficient to recall that the preservation of the rights of small countries was the theoretical justification for Sweden's position against the Vietnam policy of the US.[4]

This new self-consciousness of the smaller countries, underlined by these examples, might very well point to a new climate in international relations. It should not be forgotten that the majority of states in the world of today belong to the class of small states. The concept of the democratization of international relations seems indeed to be a good approximation for this emerging pattern of world society.

The Benelux group

The Benelux countries, which form as a group the world's fourth largest trading bloc, are, for their part, less and less prepared to be overlooked as a major political force. Initially, they were not invited to the 1974 Washington energy conference. After strong protests, the United States was forced to repair this diplomatic *faux pas*. After their summit of October 1975 in Brussels, the Benelux countries protested vigorously against their not having been invited to the summit conference on economic and monetary matters at Rambouillet in November 1975.

This new self-consciousness is sometimes militant, owing to the exclusive nature of the international big league which has tended to consider international relations to be of concern only to its members. During the

[4] For further illustrations of this approach to foreign policy see the remarkable foreign-policy statement by the Swedish Foreign Minister, K. B. Andersson, in the Swedish Parliament on 20 March 1975.

Benelux summit last October, the Belgian Prime Minister, Mr Tindemans, expressed his view that the Benelux countries should act as a catalyst in European unification. The Dutch Prime Minister, Mr Den Uyl, stated, rather aggressively, that the Benelux countries should form a counter-power against the bigger countries (or those who consider that they are) in the EEC. The Luxembourg Prime Minister, Mr Thorn, in a foreign-policy statement made in Parliament on 22 October 1975 voiced similar thoughts, culminating in an expression of his disappointment with the present state of the Community:

> The tendencies in favour of national policies of 'going it alone' or in favour of ad hoc summits of certain privileged states, which are increasingly frequent inside the Community, urgently require a comprehensive discussion concerning the problem of the respective powers and competences of the Community and its Member States. We have to fight certain ideas, increasingly frequently put forward, that would introduce some kind of *directoire* of member states whose economic dimension and weight are preponderant. There can be no *directoire* in the Community.

Since co-operation over foreign policy works quite well inside Benelux (although this grouping has been a lame duck in most other matters in recent years), these declarations will perhaps prove to be more than lip-service or wishful thinking. The Luxembourg presidency of the Council of Ministers of the European Communities which started on 1 January 1976 may well produce some practical hints as to how the strengthened self-consciousness of the Benelux countries is going to express itself. One conclusion emerges quite clearly from this analysis of the place of small countries in European politics. Traditionally accustomed to being no more than mere pawns in the foreign-policy game of the great powers, their new self-perception is increasingly leading them to play the role of actors who refuse to be dominated by the policy considerations of their larger neighbours.

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Notes of the month

THE 25TH CONGRESS OF THE CPSU

THE Soviet party Congress was in many respects a protracted (24 February–5 March) and unexciting non-event. Apart from the long initial statement by the General Secretary of the Central Committee, Leonid Brezhnev, and the presentation of the new five-year plan by Kosygin, the speeches by Soviet party officials were of almost unrelieved tedium. There was no debate: not a single speaker referred to any other speaker, except to express total and wholehearted approval of Brezhnev's keynote address. A typical speech by (say) the secretary of the party from Gorky province, or Azerbaidzhan, or by the minister of (say) bubblegum production, followed a predictable path. After praising comrade Brezhnev's speech and party policy generally, the speaker would list the achievements in Gorky, or Azerbaidzhan, or in the production of bubblegum. There would then be a few sentences of self-criticism, with a promise to correct defects, perhaps followed by a criticism directed to others ('the necessary resources for expanding production of bubblegum in Azerbaidzhan are being delayed by Gosplan'). Finally, the coda would be in a major key, promising progress and extolling the virtues of the Party. Most of these speeches could well have been written by the same author.

None the less, some important points did emerge. Dimitri Polyanski was dropped from the Politbureau. This was scarcely a surprise, not just or even mainly because of the poor showing of agriculture in 1975. After all, it was not his fault that it did not rain. His fall was in fact heralded by his appointment as Minister of Agriculture in 1973. The job is not of Politbureau standing, and any holder was vulnerable, since this has always been a difficult sector.[1] Polyanski's reputation was that of a hard-liner, at least in internal policies. Hopefully, the earlier removal of Shelest and Shelepin, both also considered hard-liners, might shift the balance within the Politbureau. The two newcomers were Mr Ustinov, responsible for many years for armaments, and Mr Romanov, the youngest member, who has apparently been successfully running Leningrad. His predecessor in Leningrad, Mr Tolstikov, had the reputation of being very domineering, and harsh to intellectuals, and many must have

[1] Shortly after the Congress, Polyanski lost his job as Minister of Agriculture. He was replaced by Mr V. Mesyats, a party official from Kazakhstan who has (at least as yet) no pretensions to Politbureau status.

rejoiced when he was 'exiled' as ambassador to Peking. But Romanov's political line is unknown to me; certainly his speech to the Congress was totally standardized. People say jokingly that his biggest handicap is his dynastic surname.

Among the new alternate members of the Politbureau was Mr Aliev, party secretary to Azerbaidzhan. The job had been held by the Georgian secretary, Mzhavanadze, but he had been demoted following a corruption scandal in his republic. His successor, Shevarnadze, made a slightly non-standardized speech at the Congress. There may be no political reason for having an Azerbaidzhani this time; it may just be their turn. Both Aliev and Shevarnadze are said to have a police record (i.e. had worked in the KGB).

Noteworthy was the extent and fulsome nature of the praise devoted to Brezhnev: 'Outstanding political activist of our revolutionary epoch' (Kunaev). 'Faithful Leninist and outstanding statesman of our time, the great fighter for peace' (Goldin). 'His great, tireless, truly titanic work for the welfare and flourishing of our motherland . . . gained him the love and respect of the Soviet people, the peoples of the brotherly socialist countries and of all progressive mankind' (Tarasov). 'The remarkable qualities of a stout Marxist-Leninist, the recognized leader of our party' (Shcherbitsky). The word 'leader' was the Russianized English word, *lider*, not the traditional word *vozhd*, which was applied to Stalin and carries the overtones of *Führer*. There can be no doubt about his primacy, and the firmness of his leading position, if his health holds out.

None of the other old men resigned. It is a very geriatric leadership, with many in their 'seventies. Is this a sign of stability or of ossification? Or maybe both?

Turning to international relations, there was little that was either surprising or unusual in Brezhnev's long presentation. China's hostility was deplored. The virtues of unity and integration were stressed in references to Soviet allies in Eastern Europe, with warnings about the dangers of nationalism. An emphasis on 'proletarian internationalism' was evidently intended as a polite rebuke to those European Communist parties which opt for particularism and democratic moderation, though there were no open polemics. In Asia, the Vietnamese victory was celebrated, and Mrs Gandhi backed against 'reactionary plotters'. Brezhnev denied that the Soviets had a base on the Indian Ocean. African countries singled out for positive mention included the Somali Republic, Guinea-Bissau, Cape Verde, Guinea, the Congo Republic, Mozambique, and also Nigeria. Very little was said on Angola, except that, 'as soon as it was born, this progressive state became the object of foreign intervention . . . of the imperialists and South African racists'. Cuban troops were not mentioned, not even by Castro in *his* speech to the Congress. On the Middle East, Brezhnev restated the known Soviet position.

Relations with the West were soberly and cautiously treated. Progress in arms limitation talks were desired, but stalled owing, it was said, to American intransigence. However, though the existence of enemies of détente was mentioned, the references to America were comparatively mild, as was perhaps to be expected with relations in a delicate state in this election year. The listeners were given the impression that détente is still 'on'.

References to Western Europe were positive in tone, with one exception: in West Berlin, Brezhnev alleged, there were breaches of agreements, and 'we will insist that they be strictly observed'. He complained also that Western mass media sowed hatred, contrary to the Helsinki agreement. As far as the USSR was concerned, 'in the struggle between two world-views there cannot be room for neutralism and compromises. One needs great political watchfulness (*bditelnost*) . . ., timely repulse of enemy ideological diversion'; 'détente does not abolish the laws of class war'. There were (understandably) references to the crisis of capitalism, but Brezhnev certainly did not forecast its imminent collapse, though he saw 'a revolutionary process' at work. All this did not add up to an accommodating attitude, particularly in respect of free movement of people and ideas, but nor was the tone hostile or threatening.

Speeches by foreign Communists were usually very dull, but interest centred on the Italians, French and Yugoslavs. They made the expected points tactfully. Whatever the delegates thought, every speaker when he sat down was followed by 'stormy applause—all rise', except one: for M. Plissonier of France the formula was 'applause—all rise'. His speech was in fact less challenging than Signor Berlinguer's, but he was a substitute for M. Marchais who stayed away, and this no doubt caused the omission of 'stormy'.

Finally, the economy. This is no place to reproduce or even briefly summarize the new five-year plan, which Kosygin presented to the Congress. Since this was published two months earlier, there were no surprises. Both Brezhnev and Kosygin emphasized achievement and underplayed difficulties, but this is what usually happens at a Congress, and there have been some significant achievements. The new plan, although it provides for some slowdown in growth, is in fact very ambitious, because both the labour force and capital investment are to grow very much more slowly (thus investments will rise by 25 per cent over the five years, against 41 per cent in 1971–5). Consequently, as the leadership well knows, the plan can only be fulfilled if resources are utilized much more efficiently. Brezhnev launched the slogan 'the quinquennium of effectiveness and quality', and he and Kosygin showed themselves well aware of the key problems. Agriculture needed much more 'melioration, chemicalization, mechanization', much more production of fodder, more storage space, workshops, skilled mechanics, better seeds. The quality

of consumers' goods and services was too low, and too many officials still regarded this whole sector as of secondary importance. Too much attention was paid to 'intermediate results' (e.g. fulfilment of plans for metal goods in tons), too little to the final product. The consumer (user) should have more influence over what was produced. There should be 'more skilful use of economic incentives and levers'. There should be more 'direct long-term links' between enterprises. Gosplan and the supply agencies should reconstruct their work. 'The technical-scientific revolution requires cardinal changes in the style and methods of economic activity'.

All this might suggest that major reforms are about to occur. But this seems doubtful. The emphasis is still on centralization and discipline. Brezhnev spoke of a 'single centralized programme for large-scale projects', and also of 'concentration of effort and resources on the carrying out of the most important state tasks'. We may therefore see reorganizations of central institutions, rather than the kind of liberalization advocated by some reformers. No one doubts the sincerity with which Brezhnev and his colleagues wish to overcome the defects of the system, but they do not seem willing to alter the basic structure which generates these defects.

Political scientists may like to note that, according to Brezhnev, in the five years 1971–5 there were 11 plenums of the Central Committee, the Politbureau met 215 times and the Secretariat 205 times. Also, 99 per cent of party secretaries down to and including district (*raion*) level have higher education. The drafting of a new Soviet Constitution is still in progress, and a new code of laws may also be prepared.

Not an exciting Congress. Hardly any surprises. Apart from possible changes in the planning system, the likelihood is: the mixture as before; the same individuals pursuing similar policies.

A. NOVE

UNFINISHED BUSINESS IN BRUSSELS

SOON after 3.00 a.m. on Saturday, 6 March, the EEC Council of Agricultural Ministers reached agreement on the most complex set of proposals ever put to it by the Commission, but it was an agreement which must be accounted 'unfinished business'. It was achieved—following inconclusive meetings in January and February—after yet another marathon, this time running into the fifth day and culminating in a final session from which all officials were excluded. At that late stage Signor Marcora put in a bid for additional concessions to Italy; as by then none of the other Ministers was prepared to contemplate going home without a settlement, his tactics may have been sound, but the whole question of Italian agriculture in the context of the Community's Mediterranean policy and of

the intended accession of Greece (and perhaps of other countries which produce similar crops) remains a major piece of unfinished business which is bound to pose an acute challenge to the Community's political acumen and courage.

The Commission's original proposals had included increases in target or guide prices averaging 7·5 per cent, measured in units of account and without allowing for the proposed changes in 'green' currency exchange rates. COPA,[1] basing its findings on the same method as had been used the previous year (there had been considerable technical argument between COPA and the Commission over the latter's decision to change the statistical basis for this review), asked for 10·6 per cent. This was considered essential to help cover the continued increase in costs and prevent farm incomes falling still further behind those in other sectors. The European Parliament compromised at 9·5 per cent. In the event, M. Lardinois was able to claim that the Council's decision was on average just about what the Commission had proposed. He also claimed that the price determinations would be within the budget, but there would have to be a supplementary budget to cover monetary measures, e.g. he estimated that the 6 per cent devaluation of the 'green' lira would cost about 150 million u.a.

The impact on farm income is difficult to forecast. As always, much depends on the weather and the market. The increases in support levels will vary from country to country because of the changes in the 'green' currency rates, the countries with stronger currencies having smaller increases than those with weak currencies. For the UK, the combination of the Brussels and UK reviews will result in a 14 per cent rise in the level of support, against cost increases last year of 11 per cent. The National Farmers' Union Council saw this as 'a belated attempt to rectify the severe deterioration in the financial position of farmers and growers, whose real incomes today are 14 per cent below last year's level and nearly 30 per cent below what they were two years ago'. Privately at least, the Government would be unlikely to disagree with the word 'belated'. British farmers remained concerned at the gap between the 'spot' and 'green' pounds, which was 7·5 per cent at the end of February and nearly 13 per cent—thanks to the rapid fall in the value of sterling—within a week of the price review being concluded (Mr Peart had successfully opposed having any change in the value of the green £). They also had serious reservations about certain other measures, but on balance they saw the determinations as offering 'a firmer prospect for recovery of both output and income in the years ahead'. Farmers in other countries seem to have reacted fairly placidly, even if in France this may be because of a government commitment to make good any inadequacies in the Brussels decisions. COPA expressed its disappointment that the determinations

[1] *Comité des Organisations Professionnelles Agricoles.*

were below 10·6 per cent, but its Praesidium wisely turned its attention to those items which remained unresolved.

With the apparent end of the 'wine war' as a result of the Council decisions, the most important commodity problem to be resolved is that of milk and dairy products. The Council agreed on measures to try to get rid of the embarrassing skim milk powder 'mountain', partly as food aid and partly as an expensive compulsory element in animal feed. Whether the compulsory scheme, in its latest 'caution' or 'deposit' form, can be made to work remains to be seen—the opposition from pig and poultry producers and the feed trade is intense, the administrative problem enormous—and the private storage aid for other protein, supposedly the quid pro quo for American acquiescence in the deposit scheme, has failed to assuage the American Government's fears about exports of soya to the Community. But any scheme to get rid of skim milk powder is only a temporary palliative. What Ministers have to decide is whether the Community's milk policy is to be determined by social or market considerations. It is unrealistic to suppose that the Belgians, for example, will become milk drinkers overnight—even if they were to be offered more palatable milk than they get at present. It is equally unrealistic to suppose that the Community can go on producing surpluses other than those caused by the vagaries of nature. But it is also necessary to count the economic and social cost of getting rid of unwanted milk producers rather than unwanted milk products.

The Council also accepted the Commission's idea of moving towards a uniform intervention price for all feed grains, which in turn means distinguishing between feed wheat and bread-making wheat. Ministers agreed that a baking test should be used to distinguish between the two. Quite apart from the fact that varieties which are acceptable for bread-making in one country are not necessarily acceptable in another, and that a variety which is unsuitable on its own may be satisfactory when mixed with other varieties, the mind boggles at the prospect of samples of wheat being picked up from farms all over Europe; taken to specially-designated centres (rumour has it there will not be very many) to be ground into flour and baked into bread; tested for colour, texture, crustiness, etc., and then graded accordingly. If the skim milk powder deposit scheme is administratively difficult, the baking test is pure Monty Python.

None of this helps the image of the CAP with either farmers or consumers. The former complain of impractical regulations and poor market management. The latter, particularly in the UK, tend to make exaggerated assumptions about the implications for consumers when farm support levels are raised. Mr Peart estimated that the combined effect of the price determinations and the next transitional step would only be about ½p in the £ on the cost of living, and the Farmers' Unions suggested that this could hardly be considered highly inflationary when until recently

wages and salaries had been increasing at an annual rate of 30 per cent or more. For consumer representatives to try to come to grips with the complexities of agricultural policy and appreciate the realities of farming can only do good, but whether they should be directly involved—as they have demanded—in the actual price review deliberations is a question with very wide ramifications. Certainly, to use a favourite Brussels word, it was not *prévu*.

The coming months are going to pose many difficult questions for Community policy-makers. The Council has endorsed the principle of co-responsibility, i.e. producers should help pay for any surpluses, and in the milk sector the Commission is to produce proposals for implementing the principle. But is there a surplus so long as imports of the commodity concerned are allowed in or the Commission wants supplies available for export under long-term contracts? Is the principle of Community preference to be abandoned in the development of a Mediterranean free trade area? Can social and agricultural policies be separated in practice? Can enough progress be made in monetary and financial policy to provide any prospect of a single agricultural market? And, of course, there is always the Tokyo Round. . .

TREVOR PARFITT

The European Community and Southern Europe

The two articles on Yugoslavia and Spain printed below are expanded and revised versions of papers originally written for a Chatham House Study Group, which met between September 1975 and March 1976 to discuss 'International aspects of political change in Southern Europe: 1975–80'. The article on Greece which follows is based on a talk recently given as part of the Institute's meetings programme.

Yugoslavia after Tito

K. F. CVIIC

Internal strains and the implications of détente might make Yugoslavia's balancing act between East and West more difficult in the future, but the Community should not miss its chance to play a more active role which will reduce Soviet opportunities for fishing in troubled waters.

INTENSE speculation about Yugoslavia's future after the death of Tito has been going on for over a decade now. Innumerable gloomy scenarios have emerged over the years, most of them postulating the break-up of the Yugoslav state. But some of this concern has been misplaced. One of the few things that can be said about Yugoslavia's future with any degree of certainty is that the country is unlikely to break up. Modern states have, on the whole, shown themselves far less vulnerable to attacks aimed at destroying them from within than had previously been thought. It usually takes a war and a military defeat for a state to become a candidate for disintegration, as the examples of Austria–Hungary in the First World War and of royalist Yugoslavia during the Second World War show. It remains to be seen how well Western states such as Britain, Spain and France will stand up to the powerful centrifugal forces of nationalism or regionalism, but the chances are that they will not be destroyed by them. A Communist state like Yugoslavia, with its tough ruling class determined to hang on to power and backed by a strong army and police force, is even less likely to crack up and is, for the moment at least, more than a match for any Croat or Albanian nationalist movement trying to disrupt it from within. There is also a strong international bias in favour

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of the maintenance of the status quo, a kind of solidarity of states which has to do with their horror of complications arising out of attempts, whatever the merit of the case, to re-draw the map. The nature of the regime that will govern Yugoslavia after Tito is another matter, and here gloom may be in order, but on the Yugoslav state's prospects of survival a less-than-apocalyptic view is more appropriate.

Political and economic record

One of the pre-conditions for a country's survival is that its citizens should not be too violently divided about its foreign policies. Tito's policy of non-alignment, which many of his fellow-countrymen for a long time considered to be a kind of personal eccentricity of their President's, has now come to be recognized as probably the only logical one for a state in Yugoslavia's exposed position as an independent Communist state astride the dividing line between East and West. Whoever succeeds Tito will have a mandate to continue that policy.

On the economic front, too, the Government has achieved some impressive gains which are recognized, albeit often reluctantly and ungraciously, by the Yugoslav population. Yugoslavia's annual growth rate in the period from 1953 to 1971 averaged 6 per cent. This was maintained in the Five-Year Plan that has just ended and is roughly equal to the average in the Comecon countries. A 5·5 per cent growth rate is planned for the 1976–80 period. Yugoslavia's income per head of population, which was $375 in 1955, had risen to $700 by 1971 and is expected to reach $2000 (at 1971 prices) by 1985. There have been disparities, certainly. Industrial growth has not been properly co-ordinated. Agricultural growth has been slow. The gap between the industrially developed and under-developed regions has widened over the years instead of narrowing, as the Party and Government wanted. Personal income increased at an annual rate of 1·6 per cent in the 1971–75 period instead of 5 per cent as planned.[1] Yugoslavia's productivity is low: last year it increased by only 1 per cent. Inflation was over 30 per cent for much of 1975, with unemployment climbing towards the 600,000 mark.[2] But the trade deficit at the end of last year, though still large at $3,600 m. was in fact smaller than at the close of 1974,[3] and by the end of 1975 inflation too had slowed down to just under 18 per cent. Over 100,000 Yugoslav workers came home from West Germany and other Western European countries owing to the recession there, but their return did not cause the social upheaval that had been widely feared. Those remaining in Western Europe—estimated at over 800,000—sent home a total of $1,600 m., an all-time record.[4] Last year Yugoslavia's earnings from tourism amounted

[1] *Tanjug*, 27 January 1976. [2] *Ekonomska politika* (Belgrade), 1 March 1976.
[3] *Borba* (Belgrade), 17 January 1976.
[4] *Ekonomska politika* (Belgrade), 19 January 1976.

to $850 m., which was about the same as in 1974, while her invisible earnings totalled $2,700 m. and helped to bring the country's balance-of-payments deficit to just under $1,000 m., a third less than in 1974.

Still on the credit side, the country has enjoyed uninterrupted political stability for three decades, combined until recently with an ever widening measure of personal freedom. That has now been considerably curtailed, but travel from Yugoslavia to the West is still easier than it is from other East European countries, especially Russia. In some other respects, too, Yugoslavia remains freer than her Communist neighbours—though it has to be said that the gap is narrowing.

Western and Soviet interests

But long before Yugoslavia's liberalization began in earnest in the late 1950s and early 1960s, her independence was recognized as being in the West's interest. Despite the retreat from liberalism that has taken place since the end of 1971, the Western powers still regard the continued existence of an independent Yugoslavia as in their interest. In an ideal world, Nato would prefer to see a liberalizing, reform-minded Yugoslavia; but it would settle for a non-liberalizing one that has turned her back on reform, provided that she retains her independence of Russia. No Nato power would risk doing anything that would weaken the Yugoslav regime or bring Yugoslavia's unity or territorial integrity into question: nationalist movements within Yugoslavia seeking more autonomy, let alone secession from the Yugoslav state, are receiving no encouragement from this side. Whatever they might have said in the past for tactical reasons, or may be saying from time to time even now, Yugoslav leaders know that they are in no way threatened from the West.

In contrast, Russia's acceptance of Yugoslavia's right to pursue an independent foreign policy and, at home, her own separate road to socialism has always been qualified. In recent months, Yugoslav leaders have been alarmed and upset by the Russians' tendency to pass over in silence the Khrushchev–Tito Belgrade declaration, which was adopted in 1955 and has constituted the basis of Soviet–Yugoslav relations for the past two decades. What clearly alarms the Yugoslavs is the suspicion that the Russians may still regard Yugoslavia as being within their wider sphere of influence and therefore subject to the so-called 'Brezhnev doctrine' of limited sovereignty for socialist countries that was invoked against Czechoslovakia in 1968. The Russians have been careful not to fuel such suspicions. A recent article in the Soviet party monthly *Kommunist*[5] warmly praised President Tito's efforts to strengthen the Communist party's role in Yugoslavia and spoke of Russia and Yugoslavia as being brought ever nearer by their pursuit of 'common socialist and Communist

[5] V. Ivanov – E. Shahov, 'Natsionalni Prazdnik Yugoslavii' (Yugoslavia's National Day), *Kommunist* (Moscow), No. 17, November 1975.

goals'. At the end of last November, the Russians publicly dissociated themselves from the activity of the Yugoslav 'Cominformists', the hard-line Stalinists being arrested in various Yugoslav republics and brought to trial for, among other things, allegedly working to bring Yugoslavia back into the Soviet fold.[6] And at the Soviet Communist Party Congress in February, Brezhnev's main report mentioned Yugoslavia in the same breath with the other 'fraternal socialist states' with which Russia was strengthening 'friendship, unity and co-operation'.[7] But Belgrade Radio noted anxiously that Mr Brezhnev's remarks on non-alignment—in a passage that was in the published though not spoken version of his report —referred only to its 'anti-imperialist' character without a word about its other aspects, notably its insistence on the 'respect for specific roads of development'. The Russians did not react and it is precisely this blandly benevolent low-profile Soviet attitude towards Yugoslavia that worries and disturbs the Yugoslav leaders. They obviously fear that it may conceal other less benevolent intentions. But what reasons would Russia have for seeking to extend her influence in Yugoslavia, or even to intervene there by military force?

One probable motive would be to stop Yugoslavia from going too far towards democracy and the West after Tito. For all their differences with the Yugoslav President, the Russians have always regarded him as somebody who could be trusted not to allow liberalization to go beyond the point where the Communist party's leading role in society was seriously challenged. The Russians have appreciated the fact that the principle of the party's monopoly of power was upheld even at the peak of Yugoslavia's most liberal period from 1966 to 1971. But when Tito is no longer there, his successors might think or behave differently. The same considerations apply to foreign policy. It is, therefore, very possible that Tito's successors may be asked by Moscow to provide some visible and formal guarantee against their country's sudden slide towards democracy and the West—perhaps in the form of a 'Friendship Treaty'. The Yugoslavs could not sign such a treaty with Russia and stay independent. On the other hand, to refuse to sign it would gravely offend the Soviet Union and perhaps provoke retaliation. To ensure that 'socialism's achievements' in Yugoslavia were truly irreversible and the Soviet strategic stake preserved, Russia could use her military power or threat of it—though an armed intervention would probably be only the last resort. The Soviet Union's appetite for action of one kind or another in Yugoslavia is likely to be in direct proportion to the West's, and Yugoslavia's, determination to check it. The Yugoslavs are losing no opportunity to demonstrate that they would fight. But if the West's present disarray continues for any length of time, Russia may be tempted to a decisive intervention in Yugoslavia at the time of Tito's death. It is more likely, however, that

[6] *Pravda*, 27 November 1975. [7] *ibid.*, 25 February 1976.

Moscow will settle for a policy of growing collaboration with Yugoslavia in all fields, from trade to ideology, with the aim of tying her more and more closely to the Soviet block, whilst not excluding other opportunities for fishing in troubled waters.

Yugoslav manœuvring

There is a good deal of evidence to suggest that the Yugoslavs no longer feel as optimistic about reaching a modus vivendi with Russia as they did, or rather as President Tito did, in the early 1970s. The international context has changed considerably in the meantime. Unhappily for the Yugoslavs, the balancing of East against West that President Tito has practised with such consummate skill is no longer going to be so easy at a time when the West has grown so unsure of itself. But there are signs that Tito has not yet abandoned all hope of reaching a durable accommodation with Moscow, which would enable Yugoslavia one day to be fully rehabilitated and vindicated in the eyes of the other Communist states and to emerge with her prestige and influence amongst them enhanced and her independence undiminished.

It is unlikely that Tito will see this ambition fulfilled in his lifetime. It is even more doubtful that his successors will, or that they will be as passionately interested in it as he has been. But meanwhile Yugoslavia is urgently trying to increase her room for manœuvre and to protect both her Eastern and her Western flanks. She followed up her settlement with Italy over Trieste last October by patching up her quarrel with Austria over the position of the Slovene and Croat minorities there.[8] In the East, Yugoslavia's co-operation and friendship with Rumania are as strong as ever, not surprisingly in view of the two countries' similar misgivings about Soviet aspirations to hegemony. Last August, the Belgrade Government accepted with unaccustomed alacrity a Greek proposal for an economic conference of Balkan countries as a prelude (though this was not explicitly said) to a political rapprochement between them. Yugoslavia, who had always shown scepticism towards such proposals, now seemed prepared to drop her doubts, possibly because of a chance to increase her regional security through discreet co-operation with Greece, a Nato member, and, hopefully, also with Turkey. The conference, which was held in Athens from 26 January to 5 February this year, was attended by Yugoslavia, Rumania, Greece, Turkey and Bulgaria. That it did not accomplish much was partly due to the stone-walling tactics of Bulgaria, who may have been encouraged by Moscow to go to Athens and keep a watching brief there for the Soviet Union. In the event, she seems to have

[8] See this author's 'The Trieste settlement', *The World Today*, November 1975. Austria's decision since then to carry out a census to establish how many Slovenes and Croats want to avail themselves of the special rights given them under the 1955 State Treaty has once again upset relations.

done more: a Yugoslav paper complained that Bulgaria had well-nigh sabotaged all attempts to reach any concrete conclusions.[9]

Within the broader framework of the Communist movement in Europe, Yugoslavia clearly sets great store by her close co-operation with the Italian, Spanish and—in Eastern Europe—Rumanian parties, which have led a successful opposition to Russia's attempts to bring European Communists under closer control. But the very success of this Communist opposition against Moscow carries within itself the seeds of further even more bitter ideological clashes, which could bring Yugoslavia into direct confrontation with the Soviet Union. Whatever the moral and political significance of Yugoslavia's partnership with smaller countries in Europe and elsewhere, it is obvious that they cannot guarantee her security against serious pressure from Russia. Nor can the Yugoslavs rely on Western support at a time when American foreign policy is paralysed by mistrust and tensions between the executive and the legislative branches of government, and there is as yet no coherent European alternative.

Challenge for the EEC

It would be desirable for the EEC to begin by establishing some criteria for defining its objectives in regard to Yugoslavia and possible ways of attaining them. The Community has shown over Portugal that it is capable of acting effectively in a crisis. Its next challenge may well come over Yugoslavia, and then it may no longer be just a matter of seeing whether Yugoslav objections to the Community's ban on beef imports from third countries—which had hit Yugoslavia particularly hard—could somehow be accommodated. The EEC may find itself obliged to play a major role on behalf of the West as a whole, which the United States may not be in a position to do. It cannot even be ruled out that the Community's and America's views may diverge—for instance, if the pursuit of détente were to involve a partial disengagement of the United States from Europe. Anyhow, the problems of an effective intervention of the EEC in a Yugoslav crisis would be far more formidable than in the case of Portugal last year, when it was a relatively simple matter of channelling some funds to the friendly Socialists through other West European Socialists.

Thinking about ways in which the West, and the EEC in particular, could help Yugoslavia to withstand Soviet pressure should start with a clear idea of what sort of Yugoslavia is most likely to be able to weather the post-Tito transition and stay independent. It would be logical for Tito's successors to want to continue the present repressive policy that he first applied to Croatia in 1971. Their justification would be that a small, vulnerable country must act firmly against all its internal and external

[9] *Vjesnik* (Zagreb), 8 February 1976.

enemies. Indeed, this is currently the official justification for the double strike against Stalinist hardliners in Serbia and Bosnia and nationalists in Croatia and Kosovo. Some Yugoslav leaders may well want to see a return to the liberal policies of the pre-1971 period; but they will probably be in a minority, because the purges carried out since 1971 in various republics have weakened the party's liberal wing, where most of those likely to stand up to Russia with particular vigour have always been found. The population's hopes of some relaxation after Tito may be resisted by the majority in the ruling group on the grounds that any concessions might encourage both the unacceptably liberal and nationalist elements *and* Russia's Stalinist friends, thus giving the Soviet Union an excuse for meddling. A tighter, even more centralized Yugoslavia than now would ward off this danger.

This argument, however, needs to be looked at very closely and sceptically. It is conceivable that a dictatorial, tightly-run Yugoslavia might, in fact, prove easier for Russia's friends to take over than a de-centralized, pluralist one. The reason is that Yugoslavia is not a homogeneous state, but a mixture of nations and national minorities that does not lend itself to being run as a tight ship (unlike President Ceausescu's Rumania, the vast majority of whose citizens are Rumanian). Some democratic consensus among Yugoslavia's variety of national and regional interests is essential if more dangerous rifts exploitable by external enemies are to be avoided. For it must be stressed that the country's self-management system, a cornerstone of Yugoslavia's ideological independence, is not in itself capable of containing national rivalries.

Under President Tito a sort of consensus was allowed to emerge partially in the pre-1971 period, with the result that various republics gradually came to be represented by politicians of calibre, who carried weight in their own republics and were capable of striking realistic bargains with each other. However, this situation alarmed various powerful interests as well as raising genuine fears of disruption. Consequently President Tito's purges since 1971 have removed most of these representative politicians with an independent constituency of their own.

The reaching of such a consensus would not be a simple matter, especially in a country that does not find it easy to square the legitimization of nationalism with the basic tenets of Communist ideology. But an absence of consensus will make Yugoslavia more vunerable to Soviet pressure and internal intrigue. One of the services the EEC could perform would be to devise ways and means of communicating with the Yugoslavs (perhaps through the German SPD and other Western unofficial channels) and conveying to them that a more pluralistic Yugoslavia would be easier for European public opinion to support, as well as being less vulnerable to Soviet aggression. President Tito's successors may prove more ready to listen to such advice than Tito himself has been. In

fact, if Tito had seen his way to encouraging the consolidation of this con sensus wholeheartedly, half the battle would have been won. Under hi leadership and with the seal of his approval, the conservatives, who fea a new liberalization under his successors and might prefer to ask Russi for support rather than accept it, could have been neutralized. But per haps that was too much to ask of a Communist leader brought up in ai older Lenist tradition. Now that he has thrown his weight into the polic of keeping Yugoslavia on the old orthodox path, the chances of a genuin consensus emerging after him are much slimmer. But unlike the situatio in Eastern Europe, where Russia is still the arbiter of what may or ma not be done, the West has a good deal of influence in non-alignec independent Yugoslavia. It should attempt to use it more actively rathe than allow itself to be manœuvred into a position of watching th Yugoslav regime slide towards Russia by default.

Spain's long road to Europe

DAVID RUDNICK

SPAIN first approached the EEC in 1962 when she applied for association, with a view to full membership by 1970. The application was acknowledged and ignored. After two years' delay the Council of Ministers authorized the Commission to start exploratory talks, but it was not until 1967 that the Council approved a mandate for the Commission to negotiate with Spain. Even then there was to be no question of association: the EEC confined itself to offering nothing more than a trade preference agreement. That agreement—due to last six years—was finally signed in June 1970. It was similar to previous arrangements concluded with Tunisia and Morocco, but fell short of the ultimate customs union envisaged under the EEC's Association Agreements with Greece and Turkey. The Spaniards reluctantly accepted it as opening the EEC door, but they were fortunate in getting even this limited accord, given the strong political opposition within the Community to the Franco régime, particularly from the Netherlands.[1]

With the enlargement of the Community in 1973 to include Britain, Ireland and Denmark, Spain sought a revised agreement that would take account of the change and, in particular, compensate her for the losses she anticipated from the raising of British tariffs on Spanish foodstuffs (wine, citrus, tomatoes, onions, etc.). In January 1973 Spain and the Six signed a temporary trade protocol under the Community's 'global' Mediterranean policy. This 'standstill' agreement gave Spain a one-year reprieve, enabling her to continue trading with the three new Community members on the same basis as before. It was similarly welcome to the three (especially Britain), since it helped keep domestic food prices down.

The Community's offer of an updated agreement, in July 1973, was found totally unsatisfactory by the Spaniards. Negotiations were broken off in November, resumed a year later, and once again reached an impasse. At this point the execution of five alleged terrorists in Spain, in September 1975, brought the trade negotiations to an abrupt halt. First the European Parliament, then the Commission and, finally, the Council voted to suspend the talks 'until freedom and democracy have been established in

[1] Dutch officials apparently assented to it only on condition that Israel was permitted a similar preference agreement. France, pursuing an active pro-Arab policy, agreed to this condition provided that (*a*) the Dutch abandoned their opposition to Spain, and (*b*) the concessions granted to Israel were similarly granted to any Arab country that might apply.

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Spain.' However, after General Franco's death in November 1975 the Council stated (in January 1976) that conditions had altered sufficiently in Spain to allow negotiations to be resumed in principle. But opinions are still divided, and no date has as yet been fixed for their resumption. The Spanish Foreign Minister, Señor José Maria de Areilza, has been paying a series of visits to Community capitals to explain his Government's plans for democratization in Spain, and to gauge the climate of Community opinion towards a prospective Spanish application. Thus the situation remains fluid.

All along it has been the authoritarian nature and historical origins of the Franco régime which have obstructed Spain's path to the European Community. Within months of her first approach in 1962, the European Parliament, with the goal of European political union in mind, made clear that Spain's non-democratic system disqualified her from any association closer than a commercial treaty. In 1975 the position was re-stated in a resolution of the EEC's Economic and Social Committee which affirmed that Spain would only be admitted to membership when her political system was compatible with that of the signatories of the Treaty of Rome. The decision, last year, to freeze the commercial negotiations marked a new and harder line in the Community's attitude, putting considerably more pressure on the Madrid régime to liberalize itself if it wanted even the minimum degree of contact with the Community. This, of course, is a powerful aid to Spanish liberal democrats, but is also a tacit recognition by the EEC of Spain's European identity, since such stringent standards of democracy are not applied to other Mediterranean states with which the EEC now maintains trade agreements under its 'global' policy.

However, the obstacles facing Spain are not only political but also commercial. The essence of the trade deal proposed by the EEC has been to offer tariff concessions on Spanish industrial exports in return for similar concessions by Spain to the EEC. But, in those sectors (e.g. textiles) where Spanish competition could be destabilizing, the EEC has safeguarded its interests by introducing lists of 'sensitive' products on which protectionist barriers have remained in force. In the all-important agricultural sector the Community has consistently protected its own farmers by offering minimum concessions to Spain: under the 1970 Preference Agreement, for instance, Spanish exports of wine, olive oil, fruit and other foodstuffs still had to contend with quota restrictions, while tariff cuts offered to Spain were disappointingly small. For its part, the Community considers Spanish duties on EEC industrial exports to be far too high, and has pressed for a more rapid time-table of tariff disarmament by Spain. The crux is that, while the EEC's objective has been to open up the Spanish market to its industrial exports but to protect its farmers, the Spaniards have aimed at maximizing their agricultural exports to the Community while still protecting their young industries. This conflict

pattern was repeated during the renegotiation of the Preference Agreement in 1972 and still applies. The rate of Spanish tariff cuts, the size and scope of EEC agricultural concessions, and the number of sensitive items on the Community's restricted list are issues reflecting a fundamental conflict of interests, which potentially exists between the EEC and almost all her Mediterranean associates.

Italian objections

The Community is by no means uniform in its evaluation of Spain as a potential applicant. A wide measure of difference exists, ranging from the nationally conscious French to the ideologically conscious Dutch, Danes and British. However, if a spectrum were drawn today on the basis of which EEC countries were most or least in favour of Spanish entry, Italy, rather than one of the North European Social Democracies, would emerge as Spain's most formidable adversary.[3] This is because she stands to lose most from Spanish accession, politically, commercially and financially.

Italian domestic politics are an important factor in governing the country's attitude towards post-Franco Spain. The non-Communist Left could not afford to let itself appear 'soft' on the issue of Spanish acceptability while the Italian Communist Party (PCI) looms so large as a power in the political equation. As for the PCI, even if it has not already entered the area of government by the time Spain's projected application is on the table, it may well demand recognition of the legality of the ideologically close Spanish Communist party as part of its price for not blocking Spain's way to Brussels. If the Italian party were to find itself in a key position within the next year or two, which is by no means unlikely, this could easily mean a formidable bar to Madrid's hopes for EEC entry, given the constraints exercised on the Spanish Government by the Right. Turning to the commercial sector, Italy produces the same agricultural products as Spain: Italian farmers, fruit and wine growers would face enhanced competition as a consequence of the free entry of Spanish agricultural produce. The 'wine war' with France already presents Italy with enough problems for her to wish to add to them. Moreover, while Greek entry would provide Italy with some advantages as a transit area and a convenient operational base for companies trading between Greece and the EEC heartland, Spanish entry would geographically benefit France. In addition, not only Italian agriculture but also industry—especially footwear—stands to lose by Spanish accession to the Community. (Against this, Italian industry, notably Fiat, has a sizeable stake in Spain.) Finally, Spain would divert

[3] At the time of writing, the Spanish Foreign Minister, who had already visited every other Community capital, had not received any response from Rome to his request to hold talks with the Italian Government on Spain's projected EEC application.

a large amount of the EEC's financial resources, and the Regional Fund in particular, from the presently designated development areas like the Mezzogiorno to Andalusia and Extremadura.

Spanish officials have expressed confidence that Italy's need of EEC (mainly German) financial support would reduce her leverage as an effective opponent of entry, if she should ultimately find herself isolated in a Community consensus. The Spaniards are not unduly dismayed at the prospect of a Communist-dominated Italy, taking into account the financial bargaining power of Italy's wealthier EEC partners over her.

Britain's attitude

Ideology and self-interest tend to coalesce to some extent in the attitude of the present British Government towards Spain's EEC aspirations. Britain, like Italy, objects to admitting an unreconstituted Spain to the European Community; like Italy, also, she stands to lose by the arrival of a competitor for Community regional funds, important to the British Government as an offset to the higher food costs that EEC membership means to the UK consumer. But, unlike Italy, Britain is not a commercial competitor of Spain, the Anglo-Spanish economic relationship being largely complementary in nature.

The British Foreign Secretary, Mr James Callaghan, however, is known to have strong views on the necessity of a free trade union structure replacing the present corporatist body (the Sindicato) in Spain, before she can be considered as a serious applicant. This political sine qua non also has an economic rationale, as it would ensure that wage bargaining in Spanish industry (particularly the exporting sector) is conducted by trade unions as militant as their British and other EEC counterparts. The Workers' Commissions are still illegal in Spain, but they represent the horizontal, class-based union structure as opposed to the vertical syndicate, which unites workers and employers in a corporatist framework. Not only is the latter regarded by the British Labour party as an institutional reminder of pre-war fascism, it is also incompatible with EEC wage bargaining structures generally. It is hard, for instance, to see how Spanish Sindicato representatives could be assimilated to the EEC's Economic and Social Committee. British ideological objections are underpinned by fears for the competitiveness of some British industries against low-wage Spain. Moreover, in general terms the commitment to free competition enshrined in the Treaty of Rome is hardly compatible with the syndical system of determining labour costs.

In the trade sphere, the British market absorbs a high proportion of Spanish agricultural exports, which have benefited from Britain's traditional cheap food policy based on low tariffs and deficiency payments to British farmers. Since entry to the EEC, Britain has only very partially aligned these low tariffs to the higher EEC Common External Tariff

(CET). If she were to align completely (and pressure is being exerted in this direction by EEC food producers), this would not only further raise food prices in Britain; it would also be a grave blow to Spanish farmers and wine growers, who send one-half to three-quarters of their exports to Britain. Britain is also unwilling to raise her tariffs to EEC levels in advance of a revised preference agreement probably being signed between Spain and the enlarged Community; to do so would be futile and administratively expensive, since such an accord would fix EEC tariffs lower than their present levels—i.e. nearer the existing British rates. So for the moment at least, Britain and Spain have a fortuitous common interest in keeping the British market open to Spanish farm exports. Britain would also like Spain to lower her high protective duties on British industrial exports; when a revised preference agreement is signed, it is reasonable to expect that Britain would obtain for her manufactured exports concessions similar to those granted by Spain to the Six in the original 1970 Agreement.

The question of Gibraltar is unlikely to feature prominently as a bargaining counter between Britain and Spain: the UK will not relinquish control of the Rock, and Madrid will not formally abandon its claim. But between these extremes, it is possible that Britain will quietly lobby for a gradual lifting of border restrictions between Gibraltar and Spain. However, both sides will have to tread very carefully on this issue, if the present Madrid Government is not to be accused of weakness by the 'Bunker'.

German and French preoccupations

German preoccupations concerning Spain centre on the security sphere. Mindful of the instability on Nato's Mediterranean flank, and the possibility (however tenuous) of the Alliance structure crumbling from Lisbon to Ankara, the Germans would welcome a firm and unequivocal Spanish commitment both to the EEC and Nato. Ideology plays a smaller part in German appraisals of Spain, and the SPD generally takes a more pragmatic view of the Madrid régime, akin to that of the United States. In April 1975 the German Foreign Minister, Hans Dietrich Genscher (SPD), referred, during a visit to Madrid, to the 'special relationship' binding Germany and Spain. Whether justified or not, the statement could hardly have been made by a British, Dutch or Danish Social-Democrat.

It is not Germany, however, but France which has a more substantial claim to a 'special relationship' with Spain. France and Spain show deep-seated affinities at many levels: historical, cultural, institutional and political. Having experienced the loss of imperial hegemony to Anglo-Saxon powers, the national perceptions of the French and Spanish Right, in particular, are quite closely aligned. At the same time, ever

since the French Revolution, the 1812 Spanish liberal Constitution and the 'afrancesados' literary movement, France has served as a model for Spanish radicals. The doctrinaire laicism and violent anti-clericalism of some (1931–6) Republicans was to some extent a conscious re-enactment of the Jacobin phase of the French Revolution. Paris or Toulouse have been havens for Spanish political exiles, a fact which has on occasion been an embarrassment to French governments dealing with official Madrid, and France has more Spanish guest-workers than any other EEC country. Linguistically, Spain would provide France with an ally inside the Community to offset the Anglophone class of 1973 and, for the French, cultural politics are in their way as important as the commercial factors more readily appreciated, perhaps, by Anglo-Saxon policy-makers. In some respects Spain has followed a proto-Gaullist foreign policy, maintaining a special relationship with the Arab, Latin American, and certain African countries and treating pragmatically (despite ideological differences) with the state-trading East-European countries. Similarly, despite the long connexion with the US and economic and military aid from that quarter, pro-American sentiment is not particularly deep-rooted or widespread in Spain.[3] The US is associated by the Left with support for the Franco régime, a factor which could, as in post-junta Greece, bear bitter fruit in the future. Generally, Spain's present Government would like to move towards a degree of democracy approximating to that of Gaullist France. The proposed use of the referendum to establish a popular base for pluralism may be seen as another imitation of the French model.

French arms sales to Spain, from Mirage fighters to AMX 30 tanks, are a powerful link, strongly supported in some cases by joint production under licence. While the scale of French investment in Spain is somewhat less than Germany's, and very much less than that of the United States, trade and investment figures are not the sole determinants of French foreign policy, which is governed by larger political objectives. With a view to expanding its autonomous influence in the Mediterranean, Paris has consistently sought Spanish friendship, and acted, in M. Maurice Schumann's phrase, as 'Spain's obstinate advocate in Europe'. The voluble and violent French agricultural lobby, which provides the biggest single obstacle to French support for Spain in the EEC, is partly offset by the influence of French industrial and banking interests in Spain. In past trade negotiations, the French have nevertheless defended their farmers against Spanish competition with a determination that might appear to contradict the thesis of serious French support for Spain. In this regard, however, one must distinguish between France's behaviour

[3] According to the findings of an opinion poll, reported in the Centrist Catholic newspaper *Ya* (February 1976), 72 per cent of respondents favoured entry into the EEC, while only 40 per cent favoured joining Nato.

in trade negotiations, and her attitude to Spain qua EEC candidate. French and Spanish diplomats both testify to the likelihood of strong French support for Spain when entry negotiations begin, farmers and wine-growers notwithstanding.

Spanish aspirations

Within Spain, there is virtual unanimity across the political spectrum on the desirability of EEC entry. The technocrat centre-right government supporters in industry and banking are its chief advocates, eager to halt the erosion of profits (brought on partly by politically necessary wage increases) by expanding their market. To their right, the reactionary 'Bunker' elements (most strongly represented in the police and security forces) also hold industrial and financial shares and, whilst not being the architects of Spain's impressive growth, are certainly among its beneficiaries. The more perceptive among them appreciate the basic connexion between consumerism and pluralist democracy. Socialist, Communist and Christian Democrat groups are all in close contact with like-minded groups in EEC countries and regard the Community, especially since September 1975, as an influence for liberalization and democracy in Spain. Certainly, Spain will only become a credible candidate when democratic constitutional forms have been installed: a legislature elected by universal suffrage; political parties; freedom of association; non-government sponsored unions—and, of course, an end to political imprisonment.

There is a time-table for most of these innovations, which the Government would like to have introduced by next year, and Señor Areilza has spoken of submitting an application for EEC membership during the course of 1977. But even if the Government were able to keep to this proposed schedule of reform, and is not blown off course in the meantime by labour and civil disorder, formidable problems of timing and adjustment remain. Chief of them, perhaps, is the question of the legality of the Communist party (PCE), an issue on which it is not impossible that the Government's whole EEC project could founder, given the importance, referred to above, of Communism in Italy. The PCE is obviously an unknown quantity electorally, but its industrial strength in the Workers' Commissions is considerable, and has been enhanced by the fact that the Catholic unions (HOAC), reluctant to be upstaged in militancy, co-operate with them.

Liberalization is an extremely delicate operation, involving the Government in a tight-rope walk between the Scylla of right-wing reaction and the Charybdis of labour disorder. The clandestine labour leaders are emboldened by recent success in winning large wage awards by strike action, but are at the same time increasingly disaffected by the Government's refusal to hold out any hope of recognition for the PCE.

The 'Bunker' has hitherto remained quiet, but if and when liberalization and democratic reform advance, aided by the incentive offered by the EEC, the fears and resentments of the old guard may come to play a bigger part in the political equation.

Spain is immensely heartened by the EEC decision to open negotiations with Greece; failure to have done so would have been a setback to those struggling to achieve political reform in Spain, since Greece is widely seen as a test case. The argument is frequently deployed by the Spanish Government that a declaration of European preparedness to accept Spain during the present delicate phase will greatly strengthen their hand against extremist forces, and that, conversely, continuing ostracism will weaken the forces of democracy and moderation. There is much truth in this, and it may well be that the European desire to help Spain's political evolution will, in these circumstances, weigh in the balance against the economic problems.

These problems are formidable. Apart from those already sketched out in relation to particular EEC countries, the scale of Spanish agricultural exports presents an obstacle of considerable magnitude. Although the Commission has not yet quantified the probable impact of Spanish entry on the Common Agricultural Policy, it is clear that the Community's self-sufficiency ratio would be widely exceeded in many products, exacerbating already chronic surpluses. The indications are that Spain would compel fundamental reform of the CAP, arguably a long overdue step, but one which nevertheless would impose a considerable burden on France and the other beneficiaries of the present system.

The immediate priority for Spain is to unfreeze her relations with the EEC and obtain a trade agreement which updates the obsolete 1970 Preference Agreement. However, the Community's insistence on a rapid lowering of Spanish tariffs, if acceded to, would gravely damage the Spanish economy at a time when Spain is suffering the delayed effects of the world recession. But Spain needs the EEC more than the Community needs Spain; in 1974 the Community took little less than half (47 per cent) of Spanish exports, accounting for over one-third (35 per cent) of Spain's imports. Spain's trade competitors around the Mediterranean have signed preferential agreements with the Community; Portugal has had one since 1972, Israel recently secured one, and the Maghreb states have followed suit. With a per capita income only slightly lower than Ireland's and a fairly developed industrial base, Spain is almost in the EEC league in economic terms. The real problem, in the final analysis, is political; moves towards full membership must remain conditional on democratic political evolution.

Greece's proposed accession to the EEC

JOHN PESMAZOGLU

THE argument in this article is based on three main considerations which, in the writer's view, are not adequately taken into account in discussions on Greece's proposed accession to the European Community. The first point is that Greece already is and has been for more than 13 years an associate member of the EEC. In accordance with the Agreement of Association of 1962, import duties are already completely eliminated on about two-thirds of Greek industrial imports from the Community and for the remainder they are reduced to about half their 1962 level. By 1984 all trade impediments between Greece and the Community should be removed and their policies in agriculture and other key sectors harmonized. By the same year Greece will have also fully adopted the Common External Tariff. A declared objective of her association is full membership and there is a contractual obligation of the Community (under Article 2 of the Association) to provide financial resources designed to facilitate the accelerated development of Greece with a view to implementing the objectives of the Association.

The second consideration is that the effects of the association have, on the whole, been positive, although considerably weaker than those expected or necessary for a deeper transformation of the Greek economy. Despite the extensive disorganization caused by dictatorial rule during the seven years following the coup d'état of April 1967, the Greek economy appears to have shown considerable capacity of adjustment to a unified European economy.

The third consideration refers to the generally accepted political implications of the Community's activities and policies. There are strong general influences associated with common action in agriculture, regional development, the management of demand and exchange rates, problems of energy and trade with third countries and with a joint approach to the reorganization of the international monetary and trading system. There are significant political aspects in support of Greece's full membership, which are of importance to both Greece and the Community.

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Greece's relationship with the Community has been longer and even now is in certain respects more advanced compared to that of the United Kingdom, Denmark and Ireland. Full membership given a reasonable transitional period, as provided in the Treaties for the United Kingdom, Denmark and Ireland, would accelerate by two or three years Greece's integration, due to be completed by 1984, according to the Agreement of Association.

The argument put forward in this article is briefly the following. Greece and the European Community are committed by an Agreement of Association to a relationship leading to the full integration of the Greek economy in the emerging unified European economy. Greece's integral participation in the institutions and procedures of the Community is a necessary consequence of the advanced stage of her association. Regulations concerning detailed aspects of the customs and economic union with the Community increasingly require Greece's active presence in the decision-making process. Had it not been for the existence of the dictatorship, Greece would have applied to join the EEC in the early 1970s and probably become a full member at the time of the first enlargement of the Community. The proposed accession reflects the will of the great majority of the Greek people to confirm, deepen and strengthen their relationship with the Community. The Greek initiative for accession is an expression of the belief in the necessity of a European entity designed to protect the particular character and legitimate aspirations of the European peoples. This attitude reaffirms Greek confidence in European integration despite some recent difficulties or delays in developments within the Community and irrespective of the rate of advance towards a European Union. The opinion is widely held in Greece that the European Community, especially with progress towards political union, would lead to a new type of strengthened and advanced democratic society and would reinforce peace, justice and progress in Europe and throughout the world.

The Commission's 'Opinion'

The problems usually mentioned in connexion with Greece's accession to the Community could be brought under three main headings. First, the strains or difficulties due to the structural weaknesses of the Greek economy. The financial assistance to be required is stressed in conjunction with the corresponding drain on the Community's resources. The amounts to be drawn by Greece from the Agricultural and Regional Funds, in particular, have been emphasized on various occasions. Second, the institutional rearrangements following the accession of Greece as a tenth member. Third, the political implications, with open or disguised references to 'the differences' between Greece and Turkey and to Greece's relations with Nato.

Some (but not all) of these arguments were reflected in the 'Opinion' of the EEC Commission submitted at the end of last January to the Council of Ministers. There was a strong reaction from Greece to some of the contents of this document. First, any reference to the so-called 'differences' between Greece and Turkey is hardly acceptable to the Greek people. Second, the proposal for a preparatory phase designed to strengthen the Greek economy in anticipation of the strains to be caused by full membership was strongly rejected, on account of the delay which this preparatory phase would inevitably cause to Greece's accession and participation in the decision-making institutions and procedures of the Community. The proposal also constituted a significant deviation from the practice applied for the three new members which joined the Community on 1 January 1973: a transitional period beginning with the coming into force of the treaties of accession was already granted to meet special problems of the new members. The EEC Council of Foreign Ministers on 9 February noted the Commission's Opinion and decided to proceed to negotiations for Greece's accession in accordance with Article 237 of the Treaty of Rome and according to the practice applied for the first enlargement of the Community. It was recalled on that occasion that about three and a half years were required after the submission of the Commission's Opinion for the negotiation, signature and ratification of the Treaties of Accession, before they came into force. A similar period was probably thought to be necessary in the case of Greece. However, in view of the fact that the preceding Treaties of Accession were negotiated with four countries, one of which, the United Kingdom, presented especially complex problems on account of the size and weight of its economy and of its vast network of relations with Commonwealth countries, a considerably shorter period should be sufficient for a similar procedure with a single relatively small country, already in association with the Community for over 13 years.

The Greek people and their leaders attach considerable importance to Greece's participation in the election by direct vote of a European Parliament in 1978, following last December's decision of the European Council of Heads of State and Government and in accordance with recent proposals by the Belgian Prime Minister, Mr Tindemans, for the organization of a European Union. This implies that Greece's accession should come into force on 1 January 1978.

Economic considerations and perspectives

Previous experience indicates that the adjustment of the Greek economy to the Community could be realized under certain arrangements without serious disturbances. Despite the irresponsible management of the economy by the Colonels' regime and the suspension of basic provisions of Greece's Agreement of Association with the Community, the

following developments in the first 15 years are indicative:

(i) Per capita gross national product (GNP) of Greece increased within 12 years from about 35 per cent to almost 50 per cent of per capita gross national product of the Community of the Nine;

(ii) The share of Greek exports to the Community of the Six rose from 33·5 per cent in the early 1960s to about 40 per cent in recent years. This increase is related to a corresponding ninefold rise of the share of exports of manufactured products from about 5 per cent to about 45 per cent;

(iii) The average annual rate of growth of gross productivity per employed person in the urban sector is markedly higher than in any one of the Nine countries; the growth rate of productivity in manufacturing is 1·5 to 2·5 times the growth rate in any one of the present member countries.

As measured by the usual indicators, the relationship between the Greek economy and the Community is not greatly different from that of Italy at the coming into force of the Treaty of Rome in the late 1950s, or from that of Ireland in 1972. Per capita GNP in Greece is more than 90 per cent the corresponding level for Ireland and the structure of their economies is not dissimilar.

An increased general effort for the adjustment of the Greek economy, associated with progress in economic development and modernization, is certainly required, but this was already envisaged in the framework of Greece's far-reaching association, a declared objective of which was her full membership in the Community. The Commission's Opinion does not indicate any 'specific' difficulty or problem. In agriculture, the level of Community protection in conjunction with the general objectives stated in Article 39 of the Treaty of Rome for improvements in productivity, marketing and real incomes would strengthen the effort, which is generally necessary and which is already applied for structural adjustments in agriculture and for the expansion of production and exports of certain products with rising demand in European markets. It should be noted that Greek production and Greek exports to the Community of Nine of what are usually considered 'sensitive' agricultual products represent only small fractions, correspondingly, of the Community's production or imports from non-member countries. This is also reflected in the finding, mentioned in the Commission's Opinion, that for most of these products the degree of the Community's self-sufficiency is very moderately increased. The production of wine in Greece is 3·5 per cent of the production in the Community, and Greek exports of wine to the Nine do not exceed 22 per cent of their imports from non-member countries. The production of olive oil is about half the production of the Nine but exports from Greece do not exceed 9 per cent of imports of the Nine from non-member countries.

Small or medium-size firms in Greek secondary and tertiary activities need of course extensive reorganization and modernization. In the last 15 years many small enterprises have shown a considerable ability for organizational adjustment and expansion. They constitute a reservoir of manpower, drive and initiative. Progress towards economic integration does not necessarily signify, as proved by experience between the Six, the elimination or drastic reduction in the number of relatively small firms. A strong case could be made in support of policies and action to sustain small enterprises adjusted to modern techniques and marketing methods, as a means towards securing a more competitive market throughout the Community.

Greek economic development should take the form of determined action in regional development, on the lines and basic arrangements provided for the Italian South and Ireland. A comprehensive regional development policy of the Community should not necessarily rely on rapidly rising transfers out of a fast growing Regional Fund. A well co-ordinated system of strong inducements could effectively promote decentralization and regional development within the Community in the interest of all member countries. Such a policy will be required to correct the tendencies towards uneven expansion and widening discrepancies which have probably been an important cause of inflation in recent years. A more balanced development throughout Europe would result in significant gains for the economically strong members of the Community, thereby increasing their budgetary and foreign exchange resources and consequently their capacity to contribute to the Regional Fund. Member countries already enjoying transfers from the Regional Fund should see in Greece's full membership a partner generally supporting the importance of an effective European regional policy. Countries contributing to the Regional Fund are certainly aware of the existing obligations and the importance of financial assistance to Greece under the Agreement of Association. These would be met by the existing institutions in the case of Greece's accession. The burden on the Community funds would in any case be relatively modest given that Greek agricultural output does not exceed 5 per cent of that of the Community as a whole, and that Greek gross domestic product corresponds to about 1·5 per cent of that of the Nine.

A European regional development policy including the operation of the Regional Fund should be associated with policies designed to bring all members of the Community in step with the requirements of a European monetary union. Such arrangements are necessary in order to minimize the adverse effects of possible widening discrepancies, resulting from more rapid advances of certain countries towards monetary integration, as recently suggested in the Belgian Prime Minister's report on a European Union.[1]

[1] *L'Union Européenne*, Rapport de M. Léo Tindemans, Premier Ministre de

There are strong indications that Greek economic growth could be complementary to that of the Community, especially if a new pattern of development is sought in a period of renewed economic expansion. Considerations of social cost and efficiency, associated with increasing concentration of production in the industrial centres, point to the necessity of drastic action for industrial decentralization in Europe. The Greek people and their leaders are anxious to secure rapidly increasing employment opportunities within Greece, with drastic reduction and elimination of the reliance on mass emigration. A new pattern of development based on a new conception of a European division of labour would require Greece as an essential partner. These prospects, of economic and more general significance to Europe, should be associated with the establishment and expansion in Greece of industrial activities applying intermediate technologies, as distinct from highly advanced methods of production on which the Northern and Western European countries would eventually increasingly concentrate.

There are prospects of strength in the Greek economy. Control over hyperinflation caused by the irresponsible management of the economy by the dictatorship having been achieved, the actual pressures on the Greek balance of payments are now almost entirely due to the rise in the oil bill, increased expenditures for defence and higher transfers for the payment of loans largely transacted during the seven years of dictatorial rule. The expectation of growth and strength of the Greek economy is well founded on the availability of a manpower adaptable to modern organization and techniques, as well as on Greek sources of energy. Surface lignite deposits are abundant and there are positive indications of Greek oil deposits on the mainland and offshore in the immediate proximity of continental Greece.

Institutional rearrangements

Greece's full membership would not present new institutional problems, since a 10-member Community was already envisaged with Norway's accession. There is complementarity and therefore affinity of interests between the Northern and Western industrial countries of Europe and Greece at her present intermediate stage of development. A strengthening rather than a weakening effect on the institutions and policies of the Community should be expected as a result of the Greek accession.

The view that, with Greece's candidature, the possibility of a '13'-member Community including all Southern European countries should be examined is an untimely complication of the problem, which would unavoidably lead to delay. The possibility of accession of the Southern European countries rests on Article 237 of the Treaty of Rome

Belgique, au Conseil Européen, Ministère des Affaires Etrangères de Belgique, No. 306, 1976, pp. 27–8.

and full membership is already envisaged in the Agreement of Association with Turkey. Although future membership of the countries of the Iberian Peninsula and of Turkey is certainly a positive perspective of general interest to Europe, such a development is hardly imminent. The following distinguishing characteristics of the Greek case are relevant:

(i) Greece has been an associate member of the Community for almost 15 years;
(ii) GNP per head is, according to the World Bank estimates for 1972 (or the OECD figures based on gross domestic product of 1973 market prices[2]) almost four (more than three) times that of Turkey and a little less than double (or 40 per cent higher than) that of Portugal;
(iii) Recent developments have reaffirmed the attachment of the Greek people to democratic principles and human rights.

On considerations of principle or substance, it is unlikely that accession of other Southern European countries could become an issue in the coming years.

The view is also implicitly or explicitly suggested that full membership of the European Community should be confined to the industrially advanced European countries. Three points should be made to refute this argument:

First, on legal and political grounds, the exclusion of the non-highly-industrialized European countries would correspond to a serious deviation from the letter and spirit of the Treaty of Rome, which is founded on the principle that all peoples of Europe are invited to join the Community, on an equal institutional basis, in a process of socially and regionally balanced growth. At any rate, present members are not all of the same degree of industrial or economic development.

Second, a fuller entity comprising all Southern European countries would open the way to a new pattern of development, different from that based on large-scale emigration and major urban concentrations in Western and Northern Europe. Such a new pattern of development would be necessary for more than one reason and of interest to all European countries.

Third, on geopolitical considerations, without an entity comprising all European peoples, a serious division will inevitably result forcing the Southern European countries to other methods and associations for their economic and social development. This would gravely weaken the position and influence of the whole of Europe in world affairs, especially in the geographical areas bordering on Europe in the South.

The opinion is widely held in Greece that the institutions of the European Community should be strengthened with reinforced democratic

[2] See Table 1 in the EEC Commission's Opinion.

controls and with the adoption of new procedures of decision-making, reflecting more adequately the fundamental interests of the participating peoples. The following brief comments on the Tindemans Report are indicative of the Greek approach towards a European Union. Great emphasis is given to the application of democratic principles by all member countries and to the respect of basic rules of law as well as of the resolutions of international organizations. The view that integration could be pursued, if necessary, at two levels in certain directions, as for example with regard to monetary union, is answered by three main considerations. The first is that no discrimination or different treatment is conceivable in the institutions or procedures of the European Union. The second is that a common monetary policy should be designed and applied by a reinforced Fund of Monetary Co-operation, which would take fully into account the particular monetary and credit conditions in member countries; with due regard to these conditions, processes should be devised leading gradually to an overall monetary and credit integration. The third is that more rapid advances in certain directions should be counterbalanced by powerful mechanisms of regional development, designed to extend and strengthen integration throughout the European Union. A Community approach should be dominant in all directives and policy decisions concerning the effort towards a monetary union.

Finally, the arguments for a wider European Community with weaker institutions on the pattern of the United Nations are rejected by Greece as inconsistent with the scope and objectives of European unification.

Political aspects

The vision of a united and strong Europe guaranteeing the respect of human rights and political liberties and the independence of European peoples, as well as their presence in world affairs, was an important factor in maintaining high the hopes and the determination of the Greek people in their opposition against the dictatorship of the Colonels. The conception and existence of the European Community, as well as the vital interests of all European peoples, depend on the condemnation and immediate cessation of all acts or threats of aggression. Greece is willing to promote and deepen a constructive co-operation but refuses and denounces all manifestations of expansionism of any origin and insists on the application of the rules of law and of the decisions of international organizations.

These considerations underline the political character attached by Greece to the formation of a European Union. The view that the European Community 'should urge upon Greece and Turkey the need for them to reach just and lasting solutions to their differences' is deemed unacceptable by Greece: the issue of the so-called 'differences' is alien to the process of accession according to the Treaty of Rome and the practice ap-

plied hitherto. But considerations of substance hardly justify such a reference.

On Cyprus, as well as on the claims to the Aegean continental shelf, which are insistently advanced by Turkey without any legal foundation, Greece has proved her attachment to the principles and procedures of law and to the resolutions of the United Nations. It should be recalled that, in regard to Cyprus, all points essential for 'a just and lasting solution' were specifically indicated in the November 1974 UN resolution which was almost unanimously adopted in the Assembly and voted by the Nine. On Greece's relationship with Nato, the following two points should be remembered: first, the attitude of this organization and its representatives during the dictatorship caused profound disappointment to the Greek people, who deemed it inconsistent with the principles of the Alliance. In addition, Nato's attitude during the successive aggressions of one of its members against a small and unprotected country—whose strong national links with Greece, another member country, were well known—inevitably led to the disengagement of the Greek forces from the integrated military command of Nato. These events are not of interest to Greece only—they are of general importance to the defence of all European peoples.

Greece's proposed accession to the Community is no reflection of her attitude towards the United States, nor of her relationship with Nato. Any attempt to identify or link Nato with the Community would deeply affect the latter's character and scope. Moreover, France withdrew from Nato's military organization and Ireland has never been a member of Nato. And after Turkey's invasion of Cyprus and her claims against Greece, Nato proved that it was inadequate to cover Greece's defence problem.

On the other hand, the presumed dilemma between enlargement towards Mediterranean Europe and the aim of a political European Union does not stand up to serious examination. It either implies intrinsic qualitative differences between European countries, which are unthinkable as a serious proposition, or it refers to regional disparities and associated problems. Such disparities and problems already exist not only within the Community, but also within individual countries, whose political unity was never allowed to be questioned on this score. Neither could the argument be seriously advanced that the non-existence of land frontiers with Greece could be an obstacle. Similar considerations have evidently been overcome in the cases of island European countries, which are now members of the Community.

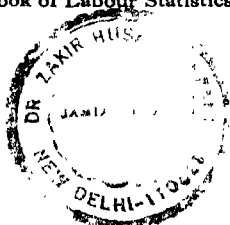
Greece's full membership would reaffirm the policies designed to associate and probably ultimately include all European Mediterranean countries in an integrated and balanced European entity. It has been officially stated that Greece would support progress in Turkey's relation-

ship with the EEC leading to her eventual accession to the Community. Such advance could contribute to equitable, reasonable and orderly relations between Greece, Turkey and Cyprus in the interests of all European peoples. Greece's early accession would underline the Community's Mediterranean orientation and policy, while at the same time pointing to significant differences between Greece and the other non-member European Mediterranean countries.

Greece's accession is essential for, and will significantly contribute to, the building of a constructive relationship of the Community with the countries of South-East Europe and the Eastern Mediterranean. This task acquires particular significance in the framework of a policy aimed at a wider and deeper intercourse with the East European countries and with the Arab and African worlds.

Growth Rates of Per Capita Gross National Product (GNP) and Productivity

	Per Capita GNP 1972(a)		*Average Annual Rate of Increase of Gross Value Added per Employed Person*, 1962–72(b)	
	Amount (US $)	*Growth Rates* % 1960–72	*Urban Sector*	*Manufacturing*
Belgium	3210	4,2	3,9	6,2
Denmark	3670	3,8	1,9	4,9
France	3620	4,7	4,3	4,6
Germany	3390	3,7	4,4	5,2
Ireland	1580	3,5	3,3	3,9
Italy	1960	4,4	4,7	5,6
Luxembourg			1,9	1,5
Netherlands	2840	4,1	4,3	6,0
United Kingdom	2600	2,3	3,1	4,4
Greece	1460	7,2	5,1	9,5
Turkey	370	3,9	1,7	5,8
Portugal	780	5,4	6,0	8,7
Spain	1210	5,8	4,8	7,2

Sources:
(*a*) World Bank, ATLAS, Population, Per Capita Product and Growth Rates, 1974;
(*b*) Estimates based on OECD National Accounts of OECD countries, 1950–1968, 1962–1973. The growth rates of productivity in manufacturing do not differ significantly from those published for most countries in ILO, Yearbook of Labour Statistics, 1970 and 1974.

UNCTAD IV: another Bill of Rights?

J. E. S. FAWCETT

The agenda for UNCTAD IV (May 1976) reflects the latest assertions of new and fundamental State rights bearing on international trade and resource exploitation. Recent experience demands reassessment of the possibility that such assertions, even if contested, may eventually evolve into international rules and standards having legal or quasi-legal effect.

THE United Nations Conference on Trade and Development (UNCTAD) was established in 1964[1] as a kind of 'committee of the whole' of the UN General Assembly. Its principal terms of reference were:

'To formulate principles and policies on international trade and related problems of economic development;
To make proposals for putting the said principles and policies into effect . . . having regard to differences in economic systems and stages of development.'

Its permanent Trade and Development Board, perhaps its most effective part so far, was originally composed of 55 representatives from countries divided into four geopolitical groups.[2] The Conference itself met in 1964[3] and, after its establishment as an organ of the General Assembly, in 1968 and 1972; it will assemble again in Nairobi in May 1976.

The summary agenda so far published contains nine substantive items of which the most specific, though varying in time-scale for action, are: commodity trade; indebtedness of developing countries; transfer of technology to developing countries; and institutional arrangements.

Before considering the prospects for action in these fields through UNCTAD IV, we may look at its ideological background. International economic relations have in the last two decades been largely felt and pre-

[1] General Assembly (GA) Resolution 1955–XIX (30 December 1964).
[2] Asia and Africa (22); North Atlantic community, Australia and New Zealand (18); Central America and South America (9); Eastern Europe (6). The 121 countries then involved were 116 UN members, with the Federal Republic of Germany, Switzerland, Liechtenstein, San Marino and the Holy See.
[3] Under ECOSOC Resolution 917–XXXIV (3 August 1962) and GA Resolution 1785–XVII (8 December 1962).

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sented as a confrontation between the advanced, industrialized countries (ICs) and the less developed countries (LDCs), formerly described as backward, underdeveloped, or developing. Though a great over-simplification of the actual ranges of development, of the complex relations between particular members of the two groups and of the conflicts of interests between LDCs themselves, this sense of confrontation has been a political force in the emergence of the 'Group of 77' and the recent calls for a 'new international economic order' in a number of UN declarations: on the Establishment of a New International Economic Order and of a Programme of Action;[4] on the Charter of Economic Rights and Duties of States;[5] and on 'measures as the basis and framework for the work of the competent bodies and organizations of the UN system, to achieve these ends.[6]

Basic rights of States

The Charter of Economic Rights and Duties of States reads in places like an extension of human rights to States. For example:

> 'Every State has the right to benefit from the advances and developments in science and technology for the acceleration of its economic and social development' (Article 13, 1) echoes
> 'the right of everyone . . . to enjoy the benefits of scientific progress and its applications';[7] while the right of all States
> 'to participate fully and effectively in the international decision-making process in the solution of world economic, financial and monetary problems, through the appropriate international organizations . . .' (Article 10) is parallel to the right of
> 'every citizen . . . to take part in the conduct of public affairs directly or through freely chosen representatives'.[8]

Again the dilemma of securing both the individual enjoyment of property rights and the public interest in their proper use[9] is reflected in Article 2 of the Charter, which repeats in substance part of the earlier UN Declaration[10] on Permanent Sovereignty over Natural Resources. Thus:

> 'Every State has and shall freely exercise full permanent sovereignty,

[4] GA Resolutions 3201 and 3202–SVI (1 May 1974), both adopted without vote, but with a number of stated reservations.
[5] GA Resolution 3281–XXIX (12 December 1974) adopted by 120–6 (Belgium, Denmark, Federal Republic of Germany, Luxembourg, UK and US), with 10 abstentions.
[6] GA Resolution 3362–SVII (19 September 1975) adopted unanimously but with stated reservations.
[7] UN Economic Social and Cultural Rights Covenant, Article 15 (1)b.
[8] UN Civil and Political Rights Covenant, Article 25a.
[9] See European Convention on Human Rights; First Protocol, Article 1.
[10] GA Resolution 1803–XVII (14 December 1962).

including possession, use and disposal, over its wealth, natural resources and economic activities';
every State has also the right 'to nationalize, expropriate or transfer ownership of foreign property, in which case appropriate compensation should be paid by the State adopting such measures, taking into account its relevant laws and regulations and all circumstances that the State considers pertinent. In any case, where the question of compensation gives rise to a controversy, it shall be settled under the domestic law of the nationalizing state and by its tribunals unless it is freely and mutually agreed by all states concerned that other peaceful means be sought. . . .'

In short, the change, already appearing in Resolution 1803–XVII, in the traditional requirement that compensation be 'prompt, adequate and effective' is maintained, and compensation to be paid for expropriation can be fixed by the State in its discretion or, in case of dispute, by its tribunals solely according to its domestic law.[11] Parallel is the provision in the UN Economic, Social and Cultural Rights Covenant, Article 2(3), adopted by virtual unanimity, that:

> 'Developing countries, with due regard to human rights and their national economy, may determine to what extent they would guarantee the economic rights recognized in the present Covenant to non-nationals'.

Policies adapted to these principles must affect at least the working operations, if not the proprietary rights, of foreign enterprises.

However elliptical these personalized references to States in the Charter may really be, the notion of their each having economic rights and duties, as elaborated in it, reflects two striking aspects of contemporary international relations: first, the widely-held conviction that the LDCs have as such certain inherent rights, at present denied them or side-stepped, to equal or equitable treatment in the fields of trade, payments, aid and development; second, the assumption that it is possible by intergovernmental agreement and collaboration to manage international economic relations both efficiently and fairly, and even to establish a 'new international economic order'. It may be asked then whether in the UN and other declarations,[12] or in the practice of governments in the last decade, concessions have been made to the claims of rights of LDCs, and whether

[11] A departure from GA Resolution 1803–XVII, which required payment of the 'appropriate compensation' to be also 'in accordance with international law'. A large number of bilateral agreements expressly preserve the traditional requirement: *Bilateral Treaties for the Encouragement of Private Investment* (*ICC Report* 1970).

[12] E.g. by the World Food Conference (November 1974); the UNIDO Second General Conference (March 1975); the Lima Conference of Non-Aligned Countries (August 1975).

new rules or standards are emerging. The UN General Assembly has been described as a forum of parliamentary diplomacy, and this image can be well applied to UNCTAD or UNIDO. The conferences of these UN bodies resemble Parliaments and the more so as they are made permanent. So in UNCTAD there are blocs or parties varying greatly in size and power, the one being by no means a function of the other. There is the OECD nucleus with some associated countries, the Comecon group around the USSR with also one or two distant clients, the 'Group of 77' (now 110), and a scattering of independents, among which China stands out. There is even an element of proportional representation, both in the participation of every country in the conference and in the careful composition of the Trade and Development Board; and bloc leadership may shift with changes in objectives or pressures, leadership being perhaps more mobile in the 'Group of 77' than in the others. Like the General Assembly, UNCTAD is then a meeting-place, a forum, a centre of economic diplomacy, conducted by quasi-parliamentary processes. This diplomacy can range from the exploratory, through continuing negotiation and policy consensus, to the adoption of international rules and standards.

Rules and standards

Do the declarations or practice of governments show at any point the establishment or acceptance of new international rules or standards in international economic relations? To answer this, some assumptions have to be made about what constitutes international rules or standards. It is generally agreed that, in the conclusion of a treaty or convention, governments intend to create or affirm certain rights and obligations, and that the provisions, which set them out, are rules in the same sense as those of a statute; though this is not to say that all the provisions of a treaty or convention meet this criterion. The GATT, for example, is an amalgam of rules, declarations of standards or common policy, recommendations and *voeux*. An international standard presents a wider band than a rule. It is the level of performance or achievement in particular fields, such as civil aviation, safety at sea, labour conditions and monopoly control, that governmental practice must match by its own means, failure being subject to admonition or even reprisals. The line between rules and standards is not then always easy to draw: for example, the maintenance of parity margins is clearly a rule in the IMF Articles of Agreement, but declines to a standard of achievement if temporary recourse to multiple rates has, as it may, the consent of the Fund. Further, in situations of strain rules may be broken and standards disregarded; indeed, as the jurist G. del Vecchio observed, if rules were never broken there would be no need for them. In international relations, then, what commitments or practices, other than those found in treaties or conventions, constitute

rules or are best determined by the predictability of their observance? Formally, no UN General Assembly resolution is binding on UN Members. Nevertheless, where a resolution contains statements of principles or desired policy to be followed in international relations and meets certain conditions, the observance of such principles or policies by UN members can be reasonably or even highly predictable. The minimum conditions are that propositions laying down rules or standards are in substance unambiguous, reflect actual or necessary practice and have been adopted unanimously or without significant dissent. But where even a small number of countries, whose policies and conduct could materially affect the operation of the proposed rule or standard, dissociate themselves by negative votes or abstentions or recorded reservations, it cannot be said that a new rule or standard has been established; or that a resolution is 'opposable' to countries which have clearly stated their opposition to it or to material parts of it, at any rate to the extent of the opposition expressed.

By these criteria, there would be few new rules or standards to be identified in the UN resolutions and declarations referred to above. The right of all states set out in the Charter of Economic Rights and Duties of States, Article 10, (see above) may be said to rank as a rule already recognized in practice. Article 2c of the Charter, described above, fails to meet the conditions for making it a new rule, given the economic power of the negative voters and abstainers. It is worth observing here that in GA Resolution 3171-XXVIII (17 December 1973), re-affirming the permanent sovereignty of States over their natural resources, separate votes were taken on the asserted right of each State to determine the amount of compensation to be paid for the expropriation of foreign property, and the mode of payment, this right being analogous to that stated in Article 2c. An amendment to require payment of just compensation failed to be adopted by 19–87 with 11 abstentions, and the clause was then adopted by 86–11 with 28 abstentions. The 11 countries voting against included Japan, Spain, the United States and EEC members, except Denmark, Ireland and Luxembourg.

Nevertheless, the principles set out in Article 2c of the Charter to govern expropriation of foreign property, in the absence of a specific bilateral agreement on the matter, are beginning in practice to acquire the character of a customary rule; and the political implications of the support for it by the great majority of UN members cannot be ignored. The establishment of standards, whether as a measure of performance or a target of achievement, may be more easily accepted than rules. Here it is necessary to distinguish, at least in the UN system, between the acceptance of the notion of a standard to be applied to a given economic practice, and the establishment of a standard itself. Thus, of a resolution adopted in UNCTAD III by 80–0 with 12 abstentions, which laid down

that the official portion of aid to LDCs shall not be less than 0·7 per cent of annual GNP of advanced countries, it might be said that it accepted the notion of a standard being set of this kind, the figure itself being disputed by a number of the countries which would be required to make it a target of achievement. It had not been nearly achieved, in fact, in the years immediately preceding UNCTAD III.[13]

The Generalized System of Preferences, described by some as an inferior substitute for what might be evolved in GATT negotiations or as even illusory, can nevertheless be said to embody certain new standards of 'special tariff treatment . . . [of] the exports of any country, territory or area claiming developing status'.[14]

In the different but related context of sea and seabed resources, the notion that every coastal state is entitled to declare and hold an exclusive zone of its marginal sea, out to some generally recognized limit, is another contemporary example of an emergent new rule.

It may finally be observed that, contained in the various statements and expressions of economic self-determination, is an idea which distinguishes them from earlier statements of the principle of self-determination. Self-determination had been so far seen as a right of 'peoples'; and while a people could be a national community, it could in the view of some be also a distinct group within the community, the right of self-determination being in effect a collective political right of individuals. In the new attribution of economic self-determination to States, a certain paradox arises. Many newly independent countries have maintained both in and outside the UN that self-determination has been in essence the escape from colonialism into independence, and that, once this is attained by a country, its right to self-determination has been accorded, and issues of self-determination for groups within the country cannot arise. Economic self-determination, if it is to be recognized, is for the State itself. This gains support from the fact that in many countries, whatever their degree of development, the State is an important and sometimes sole operator or owner-manager of some material resources.

'Monster meetings'

If we turn now to the assumption that international economic relations can be managed and improved through intergovernmental agreement and collaboration, we see that UNCTAD is not alone. A 'new economic order' has become in the 1970s the object of proliferating debate in a number of often overlapping contexts. Since 1973 we have, apart from the activities in the UN system, manifestoes, declarations, programmes, proposals and recommendations—varying in texture and direction ac-

[13] The Development Assistance Committee of OECD had reported total new flow of resources, including aid, from 16 member countries to LDCs of around 0·8 per cent in 1970 and in 1971. Aid percentages were around 0·3 per cent.

[14] Proceedings of UNCTAD II: TD/56 I, Section A.

cording to source—in the OECD International Energy Programme; the Lomé Convention; the Lima Conference of Non-Aligned Countries (August 1975); the Conference on International Economic Co-operation (CIEC); and the Commonwealth Group of Experts on International Commercial and Development Policy. Speaking of UNCTAD—and the remark could be applied to other bodies[15]—Professor Harry Johnson remarked:

> 'The process of confrontation of the two groups at time-consuming monster meetings has lost its moral shock-power and . . . its expense, inefficiency and irrelevance to the solution of the concrete issues are not justified by the possibilities of its forcing progress.'

Is this a fair judgement?

While the two groups envisaged here cannot be identified with absolute precision, members of OECD—with the possible exception of Portugal, Greece and Turkey[16]—would probably be recognized as the nucleus of advanced countries seen as confronting the LDCs. But this confrontation may be reduced in practice, and indeed the Secretary-General of UNCTAD has said that its task must be to transform confrontation into negotiation. There is, however, a prime need to rationalize the existing arrangements for intergovernmental collaboration.

UNCTAD versus Babel?

In the first place, the attendant representatives in the various institutions we have mentioned are, with few exceptions, government officials, even when they are sometimes described as experts. This has important effects. In the advanced countries of the OECD nucleus, there are systems of responsible government in which officials answer to Ministers, and Ministers are in some degree under control of the legislature; their government officials, attending UNCTAD or UNIDO or CIEC, are then confined by instructions and by the need to report back on controversial issues. In many developing countries, however, in particular those with presidential or military regimes, officials tend to be themselves the effective makers of policy and can in international contexts often speak or act with their own immediate authority. In negotiation, then, they have a greater tactical freedom.

Another feature of these institutions is that, unless there is some domestic co-ordination, the same country may speak with different voices in different contexts, and there may be much jockeying for position and 'empire-building' among the possessors of these different voices.

[15] 3,000 delegates from 141 countries attended UNCTAD III: and the four CIEC commissions have in total 600 government participants.

[16] Not included in the list of countries, designated as *not* developing countries, in the US Trade Act 1974, which adds to OECD members Australia, Finland, German Democratic Republic, Hungary, Monaco, New Zealand, Poland, South Africa and USSR.

Secondly, even since 1973 large structural additions have been made to the framework of international economic co-operation. The Lomé Convention establishes a Council, to meet annually, and composed of representatives of EEC members, African, Caribbean and Pacific (ACP) countries, and the EEC Commission; a Committee of Ambassadors, to perform tasks assigned by the Council; and a Consultative Assembly, also to meet annually, and composed of members of the European Parliament and designated representatives from ACP countries, its task being to consider reports and recommendations from the other bodies. The OECD International Energy Programme rests on a Governing Board; a Management Committee; four standing Groups (on Energy Questions, the Oil Market, Long-term Co-operation, and Relations with Producer and Consumer Countries). Analogous to this consumer association is the producer group OPEC with a Board of Governors, meeting at least twice yearly 'to implement decisions of the Conference [of member countries also meeting twice yearly]' and to submit reports and recommendations to it; a Secretariat, with an executive and a research branch; and an Economic Commission to maintain contacts with the oil industry, keep a continuing watch on petroleum prices and formulate policies for the Conference. This proliferation of bodies is an inefficient use of limited human resources; and while of course not all bodies can be harmonized, or still less amalgamated, UNCTAD IV could take some steps forward to rationalize the arrangements.

It has been suggested[17] that UNCTAD and GATT could be incorporated into a 'single organization with two chambers, one concerned with broad policy and the other with trade negotiations, but using a common secretariat'; and an 'umbrella commodity organization' might be also established as a 'third chamber' or standing alone. This would be close to the recreation of the abortive International Trade Organization.

The prospects for UNCTAD IV may not then be such as to reject it as a useless 'monster meeting'. Apart from the possibility of improving institutional arrangements, the fields of commodity trade and the indebtedness of LDCs show promise of fruitful cultivation. Even if the multi-commodity approach, favoured by many, proves impracticable, there is the possible creation of buffer stocks for certain commodities, financed from a common fund, possibly related to Special Drawing Rights (SDRs). A further source of funds for commodity trade support or development aid could be common taxation of the exploitation of the sea-bed resources beyond the limits of national jurisdiction; this possibility has already been investigated.[18] But the heart of UNCTAD is the process of continuing negotiation.

[17] Report on a New UN Structure for Global Economic Co-operation (28 May 1975) E/AC. 62/9: Annex II p. 109.
[18] See A/AC138/36 and UNCTAD paper TD/B/C1/170.

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Note of the month

WHAT FUTURE FOR THE FOREIGN OFFICE?

THE most ambitious reconsideration of the management of British foreign policy since the Second World War is now under way. On 14 January 1976 the British Foreign Secretary, James Callaghan, announced in the House of Commons that there was to be a major review of the priorities and requirements for Britain's overseas representation, to be conducted by the Cabinet Office Central Policy Review Staff (CPRS). This is the third review of Britain's Diplomatic Service and its structure of overseas representation since the reforms of 1943, which laid down the pattern of the postwar Foreign Service. The Plowden Report, in 1964, recommended the amalgamation of the Foreign and Commonwealth Offices and their respective official services. The Duncan Committee, in 1969, sketched out the priorities and principles appropriate to the changed international position of what it called 'a major power of the second order'. The latest review is intended to be completed before the end of the year, and radical proposals may be hoped for—or feared.

Unlike the Duncan Committee, this review is empowered to consider the structure of foreign policy-making in Whitehall, as well as the operations and staffing of embassies and missions overseas. In contrast to the Plowden Report, which limited its attention to the traditional 'overseas departments', it is intended to range over the whole of Whitehall. Mr Callaghan specifically emphasized that the international role of the Ministry of Defence and the activities of service attachés and staffs abroad were to be included; but so will the roles of the Treasury, the Departments of Trade, Industry and Energy, and the Ministry of Agriculture, the growing involvement of the Cabinet Office itself, and perhaps even that of the Bank of England.

There are several reasons for conducting such a major review at this time. Mr Callaghan referred to the resolution of the issue of British membership of the European Community as making this 'an appropriate time for a review'. 'We must recognize,' he added, that in the six years since the publication of the Duncan Report 'there have been great changes both in the international scene and in our own situation.' The continuing weakness of the British economy has further reduced Britain's capacity to exert influence abroad, while at the same time concentrating governmental attention more and more on the economic and commercial aspects of foreign policy. As against this, British participation in the pro-

cedures of European political co-operation has re-emphasized the political dimension, raising sensitive questions of the Nine's attitude to political developments in Spain and southern Africa, or their positions on the Cyprus problem and the international status of the Palestine Liberation Organization. The increasingly multilateral context of Britain's foreign relations has been emphasized not only by Community membership, but also by the wider trend towards conference diplomacy, through, for instance, the CSCE and its 'follow-up' consultations, the Euro-Arab Dialogue, the Conference on International Economic Co-operation (CIEC), and the various small 'Groups' of Five, Ten and Twenty which concern themselves with international financial questions. The unsuccessful attempt to gain a separate seat at the CIEC meeting in December 1975 brought sharply home to the Government and to domestic opinion the strict limits upon Britain's freedom of manœuvre.

The Foreign and Commonwealth Office, alone among Whitehall Departments, has successfully reduced its staff at home and abroad over the last ten years. The Diplomatic Service now employs 12 per cent fewer staff than at the time of amalgamation of the old Foreign and Commonwealth Services in 1965. Nevertheless, there remains some feeling within Whitehall and at Westminster that many of Britain's overseas missions are still larger than can be justified by the scale of the country's international interests. In addition, the Diplomatic Service has suffered in public and political esteem from the recent mood of disillusionment with the Civil Service as a whole, and with what some critics have described as its excessive salaries, pensions and privileges. Particular examples of expenditure on the purchase and furnishing of accommodation for British ambassadors abroad have been given a great deal of press coverage, increasing the Diplomatic Service's vulnerability to attacks on its system of overseas allowances and the level of staffing in embassies. Some see the current review as an opportunity to cut the privileges and the size of the Diplomatic Service to a pattern more suited to Britain's reduced circumstances. Others see it, on the contrary, as an opportunity to demonstrate the continuing value of Britain's overseas representation, and the effectiveness with which British diplomats promote her political, economic and commercial interests.

The growing involvement of domestic ministries in intergovernmental relations has also brought within the scope of the review the question of the balance between the Foreign Office and other Departments in the management of British foreign policy. There has been an enormous expansion in foreign travel by home civil servants in the last few years, not only to Brussels and to the other capitals of the Community on EEC business but also within the context of the OECD, Nato and the Eurogroup, the IMF and many other old and new international forums. This has led to a certain duplication of effort, not only between the Foreign

Office and other ministries, but also between those permanently stationed abroad and between officials travelling out from London. The Duncan Committee suggested that, within Western Europe at least, the trend should be towards smaller permanent missions and a greater reliance upon regular and frequent visits from London to other capitals. The current review is likely to reinforce this recommendation.

The need to impose some overall pattern on the divergent interests represented by different Whitehall Departments in Britain's foreign relations has also led to an increase in the staffing and influence of the Cabinet Office. Co-ordination of British policy towards the European Communities for instance is now shared between the Foreign Office and the Cabinet Office's European Unit, with the balance between the two not yet determined. Here the review team will have a choice: to downgrade the Foreign Office and to move the management of the central issues of British foreign policy more clearly under the Cabinet Office umbrella, or to reverse the trend and to recommend a reinforcement of the Foreign Office role, perhaps for the first time including home civil servants within the Foreign Office to assist in the co-ordination of international issues which are the direct concern of other major ministries.

The increasing involvement of home civil servants in foreign policy questions is a phenomenon as familiar to the French and German Governments as to the British. The German Diplomatic Service has been undisturbed by outside reviews since the conclusion of the Herwath Report of 1971. Less troubled by economic stringency, its position has been maintained by its minister's status as head of the governing coalition's second party, and strengthened by the downgrading of the role of the Chancellor's Office in European policy. An internal enquiry into the organization of the Quai d'Orsay is now nearing completion, and is expected to recommend considerable changes in the structure and responsibilities of its Directorates; its terms of reference, however, do not extend beyond the French Foreign Office to the Elysée or to the other major ministries. Several articles in the French daily and weekly press last year described what they saw as the declining morale and influence of the French Foreign Service. The conclusions of the British review will therefore be of interest to a wider audience. Its report will attempt to delineate 'the proper role of the Diplomatic Service in a country with the history, experience and talent Britain possesses', as Mr Callaghan put it. But it should also tell us something about the likely future shape and influence of Foreign Offices and Diplomatic Services in other West European countries which share Britain's membership of the European Community and of other international organizations and share, too, much of her international predicament.

WILLIAM WALLACE

Can the Western economic system stand the strain?

ANDREW SHONFIELD

This article by the Director of the Royal Institute of International Affairs is based on a talk given on the occasion of the publication of the new Chatham House survey, International Economic Relations of the Western World 1959–71.

THE Western nations have come through the first phase of the worst slump experienced since the war with remarkably little damage to the established system of international economic co-operation. The sharp decline in international trade during 1975, the first fall of any significance since the mid-1940s, has not produced the familiar spectacle of the 1930s with everyone running for protectionist cover. In particular the governments of the weaker national economies of the West, like Britain and Italy, have managed thus far to resist the powerful populist call for import controls as a remedy for rising unemployment. The British Government especially has been under strong political pressure from its trade union allies, whose support has been crucial for its anti-inflationary policies, to slap on a variety of import controls. Yet its desire not to break ranks with the other Western nations and defy the consensus expressed in the formal OECD pledge not to seek remedies for domestic economic recession at the expense of the trade of other industrial countries, has triumphed over the tactical temptations of national politics.

Mr Harold Wilson, it became clear last autumn, was anxious above all that any British action taken to curb imports should be seen to be subject to some measure of international negotiation in advance. The consequence was that the Rambouillet summit meeting towards the end of 1975[1] could be, and was, used by the Americans and the Germans to correct the impression that Britain had been given some sort of licence to introduce trade restrictions. Such minor restrictions as were eventually applied were meticulously designed to be compatible with the international trade rules which Britain had accepted as a member of the Western economic system.

The contrast between this event and the earlier slapdash manner in which the British Labour Government imposed a general import surcharge during the balance-of-payments crisis of 1964/5 is most striking. Then the policy that seemed to be deliberately pursued was—act first:

[1] The meeting, held last November, was attended by the Heads of State and Prime Ministers of the United States, Japan, Britain, France, Germany and Italy.

talk to your partners afterwards. What may be termed 'the Rambouillet effect' has turned out to be a significant factor in international economic relations during the present slump.

At any rate it has so far. The question that has recently emerged is whether the second phase of the present business cycle, the upswing which is in prospect for 1976/7, may paradoxically prove to be a period of greater strain in which the risk of rupture in international economic co-operation becomes markedly higher. The reason for this concern is simply the evidence that the upturn, especially in international trade, may prove to be comparatively weak and the conditions of high unemployment considerably prolonged. There have of late been one or two ominous signs of a protectionist mood, this time in the stronger rather than the weaker economies. The direct control imposed on imports of shoes by Sweden and the expressed American determination to curb imports of special steels may be auguries of a more widespread trend. The argument used to justify defensive action in such cases is that, in current conditions, certain soft patches in the national economy need especial protection that can only be provided by the formal restriction of other people's exports.

Against a background of 15 million unemployed in the OECD area, it is going to be more difficult to gainsay national demands for short-term economic relief at home at the expense of foreigners. It has to be remembered that the typical Western system of unemployment relief is designed to provide for people who remain out of work for up to one year. Indeed, most of our social arrangements, and the assumptions of those for whom they are devised, are geared to the notion that high nation-wide unemployment protracted beyond about twelve months is quite abnormal. The Western countries, as a group, are arguably less well prepared to face the political pressures incidental to a weak economic recovery than they were to cope with the decline.

The lessons of 1959–71

What are the chances that the Western system of international economic relations will stand up to the prospective pressures of the period ahead? This is the kind of question which the latest Chatham House survey of international economic relations[2] is intended to illuminate. It does so, I think, because an understanding of the *process* of establishing the new, and sometimes fragile, conventions governing the economic relationships between states offers a means of appraising their probable capacity to stand up under strain. History is notoriously a limited guide to the contemporary world—but it is the only one that we have got. There

[2] *International Economic Relations of the Western World 1959–71*, edited by Andrew Shonfield. Volume 1: *Politics and Trade*, Andrew Shonfield, G. and V. Curzon, T. K. Warley, George Ray. Volume 2: *International Monetary Relations*, Susan Strange, Christopher Prout. (London: OUP for RIIA, 1976.)

are, of course, especial hazards about the writing of near-contemporary history. The game has not yet been visibly played out, and yet here we are giving the score and assessing the performance of the individual players.

My excuse is that it is an old Chatham House practice which has not performed too badly so far. I have in mind the continuing relevance of the annual Surveys of International Affairs, started by the late Arnold Toynbee, to the assessment of the underlying trends of the world in which they were published, often a very short time after the events which they described and attempted to analyse. In the new Chatham House study, the time interval is rather longer, though still short enough to make it a matter of judgement, indeed a matter of prediction by the authors at the time they were writing, that 1971 marked a watershed in international economic affairs. We saw the period from the introduction of general European convertibility of currencies at the end of 1958 to the declaration of the inconvertibility of the dollar in 1971 as being not only one of exceptional economic growth and prosperity, but also one in which the international management of the Western economic system worked notably well.

The first observation that I draw from the events described in these volumes—and here I write not as their editor voicing a consensus of my fellow contributors, but to express a personal view—is the *primacy of politics*. The international economic system was far from self-sustaining; it required a great deal of management, and that in turn involved political arrangements over a very wide range.

The second general observation is the rapid growth in the importance of *transnational relations* bypassing the central apparatus of governments in multifarious transactions across frontiers which cannot be fully controlled except by means that are not readily compatible with the maintenance of open national societies. The desire for that openness, sustained in spite of the occasional deviation by the odd country from time to time, was one of the distinguishing features of the period. It appears to be one which continues to show up strongly in the late 1970s.

A preliminary conclusion that is suggested by these two observations is that traditional economic policy-making by individual states acting on their own is somewhat down-graded in significance. The international constraints on independent national action were not by any means always clearly perceived during our period; that is what lends something of the quality of Greek tragedy to certain of the conflicts which it contained. The trend nevertheless was towards a growing recognition of the reality of such constraints on national autonomy, and that has continued to be so during the 1970s.

When I refer to the primacy of politics, I have especially in mind the quite unusual part played by American leadership in the Western alliance during the period reviewed in our history. US policy could be

curiously, and sometimes annoyingly, ideological on some matters. It indulged, for example, in a certain doctrinal extremism, in the late 1960s, on the subject of South African gold; it wished to have it outlawed from the international financial system over which the IMF presided.[8] The other Western nations successfully resisted this kind of US initiative on more than one occasion. American policy was not, as our history clearly shows, consistently wise. But the US was an active and energetic exponent of international economic co-operation to a degree for which there is no precedent; reforms and advances in the conduct of international business, of which there were a significant number during the period, were heavily dependent both on American ideas and on American power.

The nature of that power is worth examining more closely in the particular context of international economic relations. It was not only that the United States was so much richer than any other nation; that in itself would not necessarily have been a persuasive argument in dealings with the most successful and dynamic economies of the Western world, like Germany and Japan. These countries had, if anything, more discretionary surplus income to deploy in international transactions than the United States by the end of the 1960s. They were, however, and remain, uniquely dependent on US protection for their strategic and political survival. The two countries occupied positions of increasing dominance in the economies of their respective regions. Together with the United States they came to constitute the 'heavy triangle' at the core of the Western economic system.

It was an accident of history that the two most defeated nations of the second World War, over whose recovery the United States had sympathetically presided, should emerge as the two economic poles of the Western European and the Pacific regions. The Anglo-American special relationship was another factor giving strength and resilience to the US alliance system. Such advantages as these made it possible, indeed easy, for the American-led Western system to resist the determined onslaught upon it made by France under General de Gaulle during the middle and late 1960s.

Since then, nothing fundamental has changed in the structure of the Western system as a result of the increased strength of the German balance of payments and of the further enlargement of the productive power of Japan. The continued weakening of the British economy creates a certain new risk. It is possible that, with the French settling down, apparently, to a more comfortable role in the Western system, Britain may replace France in the later 1970s and early 1980s as the maverick element in it.

Sometimes when commentators argue that an economic system is

[8] See *IER, op. cit.*, Volume 2: *International Monetary Relations*, Susan Strange, Chapter 10.

deeply dependent on political forces, they seem to imply that it is less reliably stable on that account. This is not the inference that is to be drawn in the present case. Assuming, as I do, that there is a high probability that the politico-strategic relationship of Japan and Germany with the United States will not undergo significant alteration during the period ahead, the prospect for the continued functioning of a reasonably effective Western economic system under American leadership appears rather good.

Dangers of reduced US role

What could destroy it—apart from a sustained slump in economic activity, which now seems improbable—would be a failure or an inability of the Americans to exercise leadership in the way that they did during the 1960s. It looked for a while during the dollar crisis of 1971 as if this kind of withdrawal from responsibility might be about to occur. Subsequent events have shown that this is not so. But one important change from the 1960s which was given dramatic prominence in the crisis of 1971 is that the United States is most unlikely to provide the rest of the industrial world with the convenience of a sustained and substantial dollar deficit in the future. That deficit allowed the countries of Western Europe, as well as Japan, to evade the problem of exercising joint management over the international monetary system. The United States automatically provided the rest with the monetary reserves that they desired and in a form acceptable to them.

The difficult and demanding political problems involved in managing the international monetary arrangements of the Western world by deliberate agreement instead of by accident only came into prominence at the very latter end of the period reviewed in the Chatham House history. It is fair to say that in spite of the useful agreement at the most recent IMF meeting in Jamaica (January 1976) on particular matters, like the increase in special drawing rights and the handling of transactions in gold by central banks, no significant advance towards a reliable set of rules governing the international management of currencies has been secured since the early 1970s. The dangers of an *unmanaged* exchange-rate system, where vast sums of money hurtle about from place to place in anticipation of unwanted changes in par values, have been underlined in the series of currency crises since the beginning of 1976.

For the first time in the present business cycle the accusation has been made that the device of floating exchange rates is being used to secure commercial advantage through the process of competitive devaluation. The charge was levelled at Britain, notably by the French, in early March; and it is true that an authoritative British economic analysis,[4] made in advance of the event, had suggested that it would be useful to secure a

[4] See *National Institute Economic Review*, February 1976.

; per cent drop in the exchange rate for the pound sterling *in the course of* :he year 1976, in order to maintain Britain's competitive position in inter- ıational trade. Almost the full amount of the desired depreciation then ıctually occurred in a single week in March.

However, the crucial issue in the conditions of early 1976, with foreign :xchange markets in an extremely nervous and volatile state and govern- nents facing pressure for the protection of national trade interests, is not vhether the particular accusation against Britain was justified. Mr Healey, :he Chancellor of the Exchequer, promptly responded and went out of iis way to demonstrate, by means of the evidence that Britain had spent ›everal hundred million dollars in supporting the old exchange rate before t came down, that she had not deliberately engineered the fall in the /alue of the pound. It was a sound instinct which led the Chancellor to nake the prompt rebuttal. Very few things could be as damaging at the present juncture as the suspicion that individual nations were using the levice of currency depreciation to achieve an unfair trade advantage.

Here, indeed, is a serious potential source of weakness in the present ırray of established international arrangements which have sustained the structure of the Western economic system to date. The unfinished busi- ness left over by the 1971 dollar crisis has not been pursued to a conclu- sion. In the autumn of 1971 some quite elaborate arguments were de- ployed (in Working Party 3 of the OECD) about the size of the relative depreciation of the US dollar that would be appropriate to meet certain balance-of-payments objectives. But this proved to be an isolated inci- dent. We are far from having established a technique for securing either devaluation or revaluation by international agreement. The work done by the Committee of Twenty of the IMF resulted in the formulation of a set of draft rules (*Outline of Reform*, 1974) defining in practical terms what constituted good-neighbourly behaviour in international monetary rela- tions. But this has not been followed up by any formal agreement and, con- sequently, no machinery exists for exercising even a modest degree of in- ternational surveillance over this extremely sensitive area of policy. We have already had the experience of exchange rates between important cur- rencies fluctuating by 15 per cent or more in the course of a year. This happened in 1973 when the Western world was still in a state of boom. But a movement of that order of magnitude, with its corresponding effect on the short-term competitive position of individual countries in inter- national trade, could give rise to risky political tensions if it occurred in the conditions of 1976. And any retaliatory action which followed could not plausibly be expected to be confined to currency matters; it would almost inevitably spill over into the conduct of international trade. The accepted rules of good commercial behaviour would then be placed under severe strain.

It is somewhat puzzling that the Western nations, after having taken

the matter thus far and identified the main requirements of a reformed system of international monetary relations, should have stopped dead. Sir Jeremy Morse, who was the Chairman of the Committee of Twenty, in his recent Mercantile Credit Lecture at Reading[6] summarizes one possible explanation of the apparent weakening of the will to collaborate in international monetary affairs in the 1970s as follows:

> 'Some attribute this weakening to the declining dominance of the USA, which was able virtually to dictate the Bretton Woods Agreement; had to combine with others in the 1960s to create the SDR; but could not after 1971 negotiate a reformed system that would demonstrably safeguard its interests better than the continuance of general floating.'

That highly compressed statement encapsulates an important piece of history, which figures largely in the Chatham House study, and usefully takes it forward into the following period.

Alternatives to the dollar

If this is indeed the main explanation, does it imply that United States leadership can probably not be relied upon in the future, at any rate in the field of monetary affairs, to provide the Western world with the favourable framework for international co-operation which we enjoyed until 1971? The United States would then have adopted the position of a nation which, possessing some monopoly power—in this case the monopoly of running a key currency and printing international money for which the other Western nations can apparently find no substitute—uses it deliberately to its own advantage with little concern for the interests of others. The rest of the world has to base itself on a 'dollar standard', because of its own failure to work out an alternative; and the United States, for its part, refuses to accept any limitation on its freedom to manage the dollar as if it were a purely national currency and to determine its exchange parity from day to day in the light of the tactical needs of the US monetary authorities. This would, in fact, be a style of 'hegemonial behaviour' which, as the Chatham House history indicates, was not characteristic of the way in which the United States performed during the period of its unchallenged ascendancy in the 1960s.

The ability of the United States to maintain its present position depends of course on the absence of any credible alternative to the dollar as a key currency. What has been most interesting about the story of the European currency 'snake' to date has been the anxiety of those involved in it to maintain it as a kind of inoffensive surrogate for a D-Mark zone. Not least among those anxious to avoid having the Deutsche Mark emerge as a fully fledged key currency for a Europe-based monetary system have

[6] *The International Monetary Kaleidoscope* (University of Reading, November 1975).

been the Germans themselves. They recognized the monetary role that was being thrust in their direction as an inconvenient one. They much preferred the alternative of a non-national, jointly managed, European currency. On the other hand, they have not been prepared to make financial sacrifices on a scale that would lend credibility to the currency 'snake' during periods of crisis, such as the one experienced in the early spring of this year. To make the European monetary system sufficiently credible to ward off the kind of speculation which finally forced the French franc to abandon its commitment to the 'snake', a substantial portion of the exchange reserve of the whole group of countries concerned would need to be pooled and committed to the joint enterprise. Short-term credits, normally repayable within three months, are not, however generously provided, an adequate substitute for the unqualified commitment of a substantial proportion of national currency reserves. It can be argued that the 'snake' failed essentially because those concerned were trying to secure the amenity of a stable exchange rate on the cheap.

As Sir Jeremy Morse puts it, the United States approach depends on a preference for '*general* floating' (my italics). It is not clear that the American bias would remain as strong if it became clear that a number of other countries were, in fact, establishing a set of working rules which limited their freedom to float their currencies up or down and also commanded a large pooled exchange reserve. Such a system would not aim at the fixity of exchange rates between member countries of the group, in the manner of the 'snake'. It would be based on the assumption that changes in relative par values will occur, indeed ought to occur, from time to time, but that these alterations should be brought about by deliberate agreement based on a code of international behaviour, rather than in the panic manner which has been characteristic of the post-Bretton Woods world of the 1970s.

Is the EEC capable of making the transition to such a collectively managed monetary system, after the follies induced by the Werner proposals, the currency 'snake', and now the diversionary pressures from the Tindemans Report for a short-cut to economic and monetary union through a fixed pattern of intra-European exchange rates? The Community is, through its existing institutions, probably better equipped than any other group of countries to develop the high degree of day-to-day consultation and co-operation required for the enterprise. The member countries are in fact highly inconvenienced in their efforts to develop certain common policies by the absence of a stable and dependable monetary system. If they were able in this way to begin to challenge the present monetary monopoly of the United States, the arguments for an American policy of active international co-operation in this field would almost certainly assert themselves again as they did in the 1960s.

The Americans have a strong interest, like everyone else, in maintain-

ing the orderly system of rules which have so far in large measure guided the commercial practices of the Western capitalist nations in their transactions with one another. The intention of the GATT Tokyo Round is to extend significantly the area of international agreement on trade, notably through the international surveillance of non-tariff barriers—partly because, without such an extension of the definition of what constitutes good international behaviour, the advances secured so far could be put in jeopardy. Tackling the problem of non-tariff barriers in the Tokyo Round may thus be the condition for holding on to the gains secured in the Kennedy Round. It is, however, an illusion to believe that the issues of international trade and of money can be treated as if they belonged in wholly separate diplomatic compartments. An unusually deep economic slump, followed by a weak and slow recovery, are the kind of conditions which increase the danger of an overspill from the chaos of the international monetary system into the sphere of international commerce.

Perhaps the chief reason why the conventions governing international trade relations in the Western world have held up so well, at any rate until the spring of 1976, is that those concerned have been obsessed with the risks of escalation. There has been a collective anxiety to demonstrate that the established rules of good commercial behaviour are being maintained. This mood, which turns out to be a significant factor in current international politics, is one of the legacies of the long series of successful post-war negotiations on international trade culminating in the Kennedy Round in the late 1960s. Its crucial place in the evolution of international economic relations emerges from the detailed analysis of trade diplomacy (by G. and V. Curzon) in the Chatham House study. But it has not before undergone so severe a test as that to which it has been subjected in 1974/5.

One of the important tactical insights which emerges from the history of the 1960s is the importance for the Western system of economic relations to be more or less constantly engaged in negotiations—or to be about to begin or to have just concluded them—in which major national interests of the leading industrial countries are involved. What is required is that those concerned should be more or less permanently locked into a process of bargaining on as wide a front as possible. Such bargaining then needs to be prodded forward at intervals by political decisions taken at a high level. This is where the technique of economic summitry recently deployed at the Rambouillet meeting is particularly relevant at the present juncture of international economic relations in the West. It serves to galvanize national officials, and also some departmental ministers, who are inclined in present circumstances to become obsessed by the minutiae of narrowly conceived national interests. The 'Rambouillet effect' may well be needed more frequently in the future, if the Western economic system is to be kept on course during 1976/7.

Moscow, Angola and the dialectics of détente

STEPHEN LARRABEE

The volume and openness of Soviet intervention in a country far from traditional Soviet interests has raised fundamental questions about Moscow's foreign policy goals and particularly its understanding of détente.

AFTER a decade of being the 'forgotten continent' in terms of international politics, Africa has once again emerged as a source of political instability and great-power rivalry. The fall of the Caetano regime in Portugal in April 1974 can be seen as the most important catalyst in this process. The coup in Lisbon and the decision to abandon 500 years of colonial rule in Africa had reverberations not only in Portugal itself but throughout the whole of southern Africa. They gave new impetus to black liberation movements struggling to change the status quo in southern Africa and left the last two bastions of white minority rule there, Rhodesia and South Africa, more exposed. In short, as a result of the changes in the Portuguese metropole a new, fluid situation was created in southern Africa, one that is likely to affect significantly political developments in the coming decade.[1]

One of the most important—and disconcerting—features of the changes in African politics precipitated by the Portuguese events has been the attempt by the Soviet Union to exploit the ensuing instability to its political advantage. At the time of declining Western commitment to defence and growing uncertainty regarding America's ability and will to provide effective leadership within the Atlantic community, the Soviet Union has increased and modernized its overall defence capability.[2] Concurrently there has been an expansion of its interests to many areas of the globe in which it previously had no great involvement—including Africa. In addition to its known presence in Guinea, Mali and Somalia,

[1] For the impact of the fall of the Caetano Government on African politics and particularly black national liberation movements in southern Africa, see Colin Legum, '"National Liberation" in Southern Africa,' *Problems of Communism*, January–February 1975.

[2] For the general Soviet military build-up in the last decade, see in particular the article by the former US Secretary of Defense, James Schlesinger, 'A Testing Time for America', *Fortune*, February 1975.

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Moscow also has advisers in Nigeria and Uganda to which it has stepped up its shipments of military aid and equipment in the last few years.

The major focus of Soviet attention in Africa recently has been Angola. Soviet aid to the Popular Movement for the Liberation of Angola (MPLA), one of the three liberation movements struggling for power in the wake of the Portuguese decision to grant independence to its former colony, fundamentally altered the balance of military power there and enabled the MPLA to defeat its two major rivals, the FNLA and Unita. The volume and openness of Soviet intervention in a country far from traditional Soviet interests has raised fundamental questions about Soviet foreign policy goals and particularly Moscow's understanding of détente. For many in the West, especially the US Secretary of State, Dr Kissinger, Angola—a country which few could have identified on a map a short time ago—has now become the touchstone of détente and of the ability of the United States to contain the further expansion of Soviet power in the Third World.

Changing Soviet perspectives

Before examining recent developments in Africa and their implications in greater detail, however, it may be useful to review Moscow's intervention in Angola against the background of the evolution of its policy towards Africa as a whole over the last two decades. Soviet interest in Africa first manifested itself on a significant scale at the time of the Bandung Conference of non-aligned countries in 1955; in the aftermath of the conference Moscow sought to exploit the rising tide of African nationalism—particularly its anti-colonial and anti-Western edge—so as to reduce Western influence on the African continent. Its policy in this period reflected an exaggerated optimism that the Third World nations could be mobilized in support of the goals of Soviet foreign policy and that with Soviet aid and encouragement Socialist-oriented regimes in Africa could be induced to move towards the establishment of a more 'scientific' form of socialism along Soviet and East European lines. Moscow embarked upon major programmes of economic and military assistance designed to hasten this process and increase Soviet influence in Africa.

Such hopes—highly unrealistic as well as costly—remained unfulfilled. While the Soviet Union did for a brief period make some inroads in Mali and Ghana, it was to discover that the mouthing of revolutionary Marxist rhetoric was in general no assurance that African leaders would proceed to establish Moscow-style 'scientific' socialism. Many of them proved far more impulsive and far less susceptible to outside advice than Moscow had anticipated. In addition, many countries in Africa simply lacked the infrastructure needed to make effective use of Soviet aid. As a result, such aid was often squandered, and the economic returns were

paltry. Despite its large investment, the Soviet Union found it difficult to transform its economic assistance into concrete political influence.

As a consequence, in the early 1960s Soviet policy in Africa began to undergo a transition. Moscow's interest in this part of the world receded, Africa's importance in the total Soviet scheme was downgraded,[3] and Soviet involvement became more selective and differentiated. The primary concern now was less for the nature of a particular regime than for the strategic importance of the country concerned, and a greater emphasis was placed on local conditions. This revision of Soviet policy was given greater impetus by the ouster of Nkrumah in Ghana in 1966 and the fall of Keita in Mali two years later, both of whom had received strong Soviet support. Thereafter it became increasingly difficult to speak of *a* Soviet policy towards Africa as a whole.

Yet Soviet interest in Africa had by no means ceased. One of the main reasons for this was the growing Chinese involvement in the area and the extension of Sino-Soviet rivalry to it. In the early 1960s—when a differentiated approach towards Africa was beginning to emerge in Moscow—Peking embarked upon a more active and ambitious policy in Africa. This aimed at establishing credibility with the newly emerging nations in Africa, reducing US and particularly Soviet influence, and bolstering China's own global position by creating a preference for the 'Chinese model' in Africa.[4] In the early 1960s, Guinea and Mali were important recipients of Chinese aid. After 1965, however, China also became more selective, focusing her attention primarily on the Congo Republic (Brazzaville), Tanzania and Zambia. It was during this period that the most significant Chinese aid projects, such as the strategic Tanzania–Zambia railroad, were developed, and relations with Tanzania were intensified to the point where they approached a 'partial, informal alliance.'[5] The Chinese also began extending aid to a number of black African liberation movements that were being formed at the time.

China's more active diplomacy in Africa has presented a considerable challenge to Moscow, and fear of being outflanked by Peking has been one of the main determinants of Soviet policy in recent years. With the intensification of the Sino–Soviet dispute, the struggle has taken on important ideological overtones. Moscow has felt under pressure to support many of the liberation groups in order to counter Chinese charges that it is a 'revisionist power' no longer interested in promoting

[3] See Robert Legvold, *Soviet Policy in West Africa* (Cambridge, Mass.: Harvard University Press, 1970); also Helen Desfosses Cohn, *Soviet Policy toward Black Africa: The Focus on National Integration* (New York: Praeger 1972).

[4] See Lucius Beebe, 'Peking's African Strategy', *Problems of Communism*, November-December, 1972; and George T. Yu, 'Peking's African Diplomacy', *ibid.*, March–April 1972.

[5] George T. Yu, *China and Tanzania: A Study in Cooperative Interaction* (Berkeley, California: Center for Chinese Studies, 1970).

world revolution and aiding oppressed nations seeking self-determination. Besides helping the MPLA in Angola, Moscow has also given aid to the African National Congress (ANC) in South Guinea and the Cape Verde Islands, and—to a lesser extent—to the Front for the Liberation of Mozambique (Frelimo). Some of this aid has been channelled through the Organization of African Unity (OAU), but the larger portion has been given directly to the various liberation movements. However, while this aid has bolstered the fortunes of many of these groups, it has by and large not been the major determinant of their political orientations, and it would be misleading to consider these groups Soviet puppets.[6]

Angola

It is against this background, together with Moscow's rise to the status of a genuine super-power with truly 'global' interests, that the situation in Angola should be viewed. The Angolan crisis was touched off by the decision of the new Portuguese Government to end 500 years of colonial rule in Africa. Angola, the most important of the Portuguese colonies, was promised independence in the Alvor Agreement, signed on 15 January 1975. However, in contrast to Guinea-Bissau and Mozambique, there was no single liberation movement in Angola to which the Portuguese Government could transfer power. The Alvor Agreement, which set up a transitional government to exercise power from 31 January last year until the day of independence on 11 November, triggered a struggle for power among three liberation groups that had been fighting the Portuguese since the early 1960s: the Popular Movement for the Liberation of Angola (MPLA), led by Dr Agostinho Neto, a distinguished poet, and backed by the Soviet Union; the National Front for the Liberation of Angola (FNLA), led by Holden Roberto, the brother-in-law of Zaire's President Joseph Mobutu, which received aid from Zaire, China, South Africa and, indirectly, from the United States; and the National Union for the Total Independence of Angola (Unita), led by Roberto's former follower, Jonas Savimbi, which enjoyed considerable support among many moderate Angolans.

The Soviet Union decided to throw its weight behind the MPLA for three basic reasons: first, because the leaders of the MPLA, many of whom are Marxist intellectuals, espoused the most radical form of socialism; second, because the Portuguese Communist Party (PCP) showed active sympathy with the MPLA; and, third, because the posture of the FNLA under Roberto's leadership was strongly anti-Communist (which explains why he received some US aid during the Kennedy Administration). But Soviet support for Neto was dictated more by expediency than ideology. At one point, in 1973, Moscow switched its allegiance to one of his former lieutenants, Daniel Chipenda,

[6] See Legum, *op. cit.*, pp. 6–7.

then based in Zambia. When it was clear that Moscow had backed the wrong horse, however, the Soviet Union sought to mend its relations with Neto by inviting him to Moscow and warning him of an impending plot by Chipenda to assassinate him.[7]

Moscow, which had been supplying the MPLA with arms since the early 1960s, intensified its deliveries after the signing of the Alvor Agreement in January 1975. Besides rifles, machine guns and other infantry weapons, Moscow was reported to have supplied the MPLA with T-54 tanks, PT-76 armoured cars, SAM-7 missiles and 122 mm ground-to-ground rockets.[8] While no Soviet troops appear to have been engaged in actual combat in Angola, a number of Russians were reported to have been killed and captured by Unita.[9] Moreover, according to information released by Unita in November, Igor Ivanovich Uvarov, a Tass correspondent in Luanda and reportedly a member of the Soviet military intelligence (GRU), was directing military operations in Angola.[10]

Moscow sought to portray its support for the MPLA as part of a long-standing policy of help for national liberation movements as a whole in an effort to refurbish its tarnished image as *the* true friend of African revolutionaries, and particularly to counter Chinese influence. At the same time, it sought to discredit the US and China by depicting them as allies of South African 'racism', a tactic designed to win Moscow support not only with the more radical African nationalists but with the moderates as well.

A number of other East European countries, including East Germany, Rumania and Czechoslovakia, also appear to have had advisers in Angola. However, the most important Soviet ally involved there was Cuba. By February 1976 Cuba had sent an estimated 10,000 to 12,000 troops to Angola—about one-tenth of her entire army. From the Soviet point of view, the use of Cuban troops had several distinct advantages. First of all, the Cuban army is trained under conditions similar to those in Angola—heat, heavy brush or jungle and primitive roads; thus the Cubans quickly adapted to the terrain and style of fighting in Angola. Secondly, the troops were familiar with and capable of handling sophisticated weaponry, such as the T-34 tanks and the 122-mm rockets which the Soviet Union was supplying to the MPLA.

There is some indication that the Soviet leadership—perhaps under

[7] For a discussion of Moscow's role in the Neto–Chipenda feud, see Colin Legum, 'A Letter on Angola to American Liberals', *The New Republic*, 31 January 1976, pp. 17–18. Chipenda later went to Namibia to establish a military link with the FNLA, with whom he has since fallen out.

[8] Michael Kaufman, *The New York Times*, 24 November 1975.

[9] Unita reported capturing 20 Russians in early November (David Ottoway, *International Herald Tribune*, 22–23 November 1975) and killing three in a skirmish in early February (UPI, 6 February 1976).

[10] Reuter, 19 November 1975.

pressure from the military—may have regarded Angola as a test case for the use of non-Soviet troops to achieve Soviet policy goals. However, whether the initial impulse for the dispatch of Cuban troops came from Moscow, or whether it was the result of Castro's own decision, is not clear. What is clear is that the introduction of Cuban troops turned the tide of the war and enabled the MPLA to defeat its two pro-Western rivals. It also sharply boosted Castro's sagging prestige with revolutionary governments and movements in the Third World, where Cuba has gradually but quietly been expanding her presence in recent years.[11] Most importantly, it set an ominous precedent which could have a major impact on future revolutionary struggles elsewhere in Africa.

Soviet motivations

What prompted Moscow to involve itself so deeply and openly in Angola, a country far from its traditional interests, is not entirely clear. A number of factors may have been influential. Strategically, Angola offers deep-water port facilities on the Cape shipping route, and it is possible that Moscow was hoping to obtain important port facilities in return for its support. Together with Somalia, where the Soviet Union has already established a presence,[12] this would give the USSR two secure coastal enclaves, thereby adding to the mobility and flexibility of its naval forces. Economically, Angola is very rich in natural resources; it possesses some of the world's most important iron ore deposits and sizeable quantities of copper, manganese and gold, as well as diamonds and oil. Politically, Angola is important in terms of Sino-Soviet rivalry. Failure to support the MPLA might have left the way open for Peking to establish a beachhead in Angola and would have exposed Moscow to even more vocal criticism as a revisionist power lacking in ideological fervour. This is a charge that could have led other liberation movements to look increasingly to Peking for aid. Finally, an MPLA victory in Angola could enhance the prospects of guerrilla movements elsewhere in southern Africa and offer Moscow new opportunities to exploit any ensuing turmoil to its advantage.

In addition to the above factors, Moscow's decision to involve itself so deeply in Angola may also have been influenced by domestic considerations. Faced with a disastrous grain harvest and a number of setbacks in foreign policy—the decline of Soviet influence in the Middle East, the stalemate over strategic arms limitation, the postponement of the conference of European Communist parties and strong Western pressure regarding the implementation of Basket Three (human rights) of the

[11] Cuba now has advisers of various sorts in a number of African and Middle Eastern countries including Algeria, the Congo, Somalia, Southern Yemen and Guinea.

[12] See J. Boyer Bell, 'Strategic Implications of the Soviet Presence in Somalia,' *Orbis*, Summer 1975.

Helsinki accord—Mr Brezhnev may have come under increasing pressure from more conservative elements in the Soviet leadership who felt that excessive preoccupation with détente, the benefits of which were becoming increasingly questionable, was undermining Moscow's ideological commitment to furthering the 'revolutionary process'. To appease these critics and ensure their support at the 25th Party Congress, Brezhnev may have decided to give their point of view more weight. Certainly a number of events pointed in this direction: the publicity given to the meeting between Brezhnev and Konstantin Zarodov, author of the controversial article in *Pravda* last August calling for a more militant line on the part of the European Communist parties; the reintroduction of a more 'ideological' document at the November preparatory session for the pan-European conference of Communist parties; and the increased attacks on the West for failing to live up to the Helsinki agreement.

Thus Brezhnev may have regarded Angola as a chance to score a quick success that would offset recent diplomatic defeats and bolster his position internally at very little risk—much in the same way that Khrushchev initially perceived the situation in Cuba in 1962. Given the trauma of Vietnam and the present isolationist sentiment in the United States—not to mention the disarray within the CIA and the disrepute into which it has fallen as an instrument of US foreign policy—the Soviet leadership probably felt that there was little chance that the United States would intervene militarily, especially as it had shown little interest in Africa since the early 1960s.

If this was the Soviet calculation, it proved to be highly accurate. The influx of Cuban troops in large numbers just prior to independence precipitated a gradual shift in the military tide of the struggle and changed the nature of the war from one between raw Angolan troops unfamiliar with mechanized combat to a semi-conventional war by proxy. However, whereas South Africa never committed herself wholeheartedly, Cuba did just that; once it was clear that it could not rely on Western help, Pretoria began to disengage, while Cuba expanded her commitment. Moreover, the FNLA and Unita—as well as their major supporter, the United States—found themselves backed into a corner politically as a result of their association with South Africa, a fact which Soviet propaganda duly exploited. The association with South Africa proved fatal and undercut support for the FNLA and Unita, particularly among moderate members of the OAU.

Also of crucial importance was the disunity within the US Government and the contradictory nature of its response—a result, in particular, of the Ford Administration's failure to create a domestic consensus for its policy. The decision by the US Senate in December to cut off any further covert aid to the FNLA and Unita forces reduced what little leverage the US possessed to induce the Soviet Union to halt its inter-

vention. Thereafter, the Ford Administration was left with few cards to play other than threats regarding the effect of the Soviet intervention on Soviet–US bilateral relations—and these had little, if any, visible impact on Soviet actions.

Beyond Angola

The MPLA takeover has sent a tremor throughout the southern tip of the African continent and increased the prospect of future instability in the entire area. In particular, it has accelerated the day of reckoning for the last two bastions of white minority rule in Africa—Rhodesia and South Africa—and encouraged the black nationalist guerrillas to step up their campaigns against them. The danger is that Moscow may be tempted to try to repeat its success in Angola elsewhere and that the weapons now accumulated in Angola will be turned against Rhodesia and South Africa.

The situation in Rhodesia at present is exceedingly volatile. The MPLA victory in Angola has increased the pressure on the intransigent Smith regime to move towards an accommodation with its black majority, who outnumber the white population by more than 20 to one, or face the prospect of a bloody race war. The collapse in March of the constitutional talks between Ian Smith and Joshua Nkomo, the moderate leader of the African National Council (ANC), has increased the prospect of an outbreak of war by undercutting Nkomo's position and strengthening the hand of the militants within the ANC.

Diplomatically and militarily, Rhodesia stands isolated. Britain has made it clear that a pre-condition for her assistance is a swift and orderly transition to black majority rule within 18 months to two years. Mr Smith cannot even expect much support from the Vorster regime in South Africa, which, for the last several years, has been pursuing a policy of détente with its black African neighbours. There is thus an increasing danger that if Rhodesia does not begin to move towards black majority rule in the very near future, the black majority will attempt to overthrow the regime by force and call on the Soviet Union and Cuba for assistance —which some black nationalist leaders, such as Bishop Abel Muzorewa, have already threatened to do.

If a call for assistance came, the Soviet Union, having trumpeted abroad its intention to support wars of national liberation so often in the last few months, would find it hard to stand idly by. This would leave the field to China, who has closer relations with Mozambique, Tanzania and Zambia than she had with Angola. However, the situation in Rhodesia differs considerably from that in Angola. First of all, the Ford Administration has publicly come out in favour of black majority rule in Rhodesia[12] and is keen to repair its former mistake of allying itself with

[12] Since this article went to press, Dr Kissinger, in his dramatic Lusaka speech of 27 April, pledged American help to bring about 'a rapid, just and African solution to the issue of Rhodesia' (*The Times*, 28 April 1976).

white minority rule in its efforts to contain an expansion of Soviet influence. Moreover, in the wake of Angola, the mood within the United States has changed. There has been a perceptible disenchantment with détente, evidenced in particular by President Ford's dropping of the word from his political vocabulary. In addition, the Secretary of State, Dr Kissinger, has issued a number of stiff warnings that the US will not tolerate further military adventures in Africa on the part of Cuba. After the American response to Angola, one may legitimately question the extent to which the United States is ready—or able—to back up its threats with concrete actions capable of deterring either the Soviet Union or Cuba, but there is evidence of a hardening of American resolve lately and this has not gone unnoticed in Moscow.

From a military standpoint, any Soviet-backed Cuban troops would face stronger and better-equipped forces in Rhodesia than they had in Angola. The Cuban tactics that proved so successful in Angola—a hail of rockets followed by a methodical tank advance—would be less likely to work against the experienced, well-trained Rhodesian troops. The Cubans would also be vulnerable to Rhodesian air attacks—a problem with which they did not have to contend in Angola. Lastly, the supply problems would also be greater. The sum of these factors, especially the effect a new intervention would have on relations with the US, may serve to induce greater restraint in Soviet policy.

Finally, in assessing the prospects for Moscow's success in Africa as a whole, it may be well to bear in mind the nature of African liberation movements in general—and particularly Soviet experience with them. While many of them espouse Marxist slogans, their brand of radical socialism is highly individualistic and differs significantly from that advocated by Moscow. Most of the leaders of African liberation movements are 'revolutionary nationalists', and a main element of their creed is an emphasis on non-alignment in foreign affairs. They have generally been willing to take aid from wherever they could get it, but there is little evidence that such aid has brought donors much influence. As a well-known specialist on Africa has recently pointed out: 'One cannot assume any direct correlation between sources of foreign support and the political orientation of a given black liberation group.'[14]

This has particular relevance to the MPLA and the situation in Angola. While Neto is a dedicated Marxist, he is also a radical nationalist. Like other men of his type in Africa, he has willingly accepted aid from the Soviet Union. At the same time, he has so far shown little inclination to allow himself to become a Soviet puppet. Moreover, however grateful he may be for Soviet aid, Neto is unlikely to have forgotten that, when he was challenged by Chipenda in 1973, Moscow at first abandoned him in favour of his former lieutenant. There is thus no clear-cut assurance that Moscow will be able to translate its massive aid

[14] See Legum, '"National Liberation" . . .', p. 20.

into direct political influence. Like so many other African Marxists whom the Soviet Union supported in the past, Neto could turn out to be far less malleable than Moscow had initially calculated. The future is difficult to predict, but the history of revolutionary movements in Africa suggests that nothing is inevitable or irreversible in the volatile world of African politics—a fact that Moscow would do well to recognize as it ponders its next move on that continent.

In closing, it is important to recognize that the implications of Soviet involvement go beyond Angola, or even Africa, to the very heart of the question of détente. From the Soviet point of view, détente—or 'peaceful coexistence', as it is more accurately termed by Moscow—is a policy dictated by the need to avoid military confrontation and above all nuclear war. It does not mean ideological coexistence nor, as Mr Brezhnev emphasized once again at the 25th Soviet Party Congress,[15] does it exclude support for 'wars of liberation' against 'imperialism'. In short, it does not mean an end to competition for political influence if and when this is feasible without the risk of direct military confrontation.

Détente, even as it is restrictively interpreted by the Soviet Union, is an objective necessity that has brought important benefits to the West as well as to the East—most notably the SALT I accord and the Four-Power Agreement on Berlin. However, Moscow's recent actions in Angola should serve as a useful reminder of the present limitations of détente and sound a cautionary note against undue optimism regarding the prospects for its expansion in the immediate future. Despite the reduction of tension between the Soviet Union and the United States in recent years, they still have a 'limited adversary' relationship that combines elements of co-operation and conflict. The next years are likely to be a time of testing as both super-powers attempt to find a stable balance between the conflicting elements in this relationship.

[15] *Pravda*, 25 February 1976.

Rhodesia: the continuing deadlock

PETER SLINN

Despite the dramatic events of the last few months in southern Africa, an agreed constitutional settlement in Rhodesia seems as far away as ever. This article examines what may now be left as the only hope of achieving a peaceful transfer of power.

DESPITE the optimism temporarily engendered—at least in Britain—by the Lusaka Agreement of December 1974, the Victoria Falls Conference of August 1975 and, recently, the lengthy negotiations between Mr Smith and Mr Nkomo, the 'yawning chasm' between black and white negotiators appears as wide as ever. All the signs are that Mr Smith and his colleagues intend to entrench themselves in their *laager* to resist a renewed, large-scale guerrilla offensive, which is now apparently supported by all Rhodesia's black-ruled neighbours. In this Mr Smith appears to be defying the logic of events, and to outsiders it may seem astonishing that the European electorate in Rhodesia should continue to support and sustain a policy which may delay majority rule by perhaps no more than two years, at an appalling cost in lives and property and at the expense of any hope that some of the present European inhabitants may yet find a role in building the future prosperity of the country under black rule. The purpose of this article is to consider the position of the European Rhodesians who sustain the present regime in power, and to examine the possibility of presenting them with an alternative to the last ditch and thus of avoiding a tragic escalation of armed conflict.

Mr Smith's position has a certain logic of its own. The illegal declaration of independence in 1965 removed British 'protection' and exposed Rhodesia to economic sanctions, guerrilla incursions and other perils. However, as Mr Smith himself pointed out in a recent broadcast, 'independence' has appeared to ensure that Rhodesia would not share the fate of Mozambique and Angola, where the metropolitan government had surrendered to 'terrorism'. The whole *raison d'être* of the regime has thus been the avoidance of a sell-out, that is, a settlement which would endanger the retention of the levers of state power in exclusively European hands. Hence the failure of the many settlement negotiations except, significantly, those which produced the 1971 proposals, of which the Pearce Commissioners were told:

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'Most white Rhodesians believe (and they will have been encouraged to believe) that the Government will, whilst sticking to the letter of the agreement, find ways of ensuring that the apartheid structure in the process of evolution will not be too seriously damaged.'[1]

More recent negotiations, as part of what Mr Smith called the 'détente exercise', have performed from the regime's point of view the useful function of postponing the day, apparently now arrived, when Rhodesia's black neighbours will act on the assumption that there is no longer any possibility that the present regime can somehow be made to concede the essential African nationalist demands. However, the failure of those negotiations will not necessarily damage Mr Smith's standing with his own electorate: he offers 'no surrender', and his support will remain firm in the absence of any clear and viable alternative, even if this support is based on little more than fatalism. As one European put it recently: 'It's obvious life cannot carry on like this but we've been saying that for 10 years and it is still carrying on, isn't it? So there's no reason to leave.'[2]

It should not be assumed too readily that recent external events, which are apparently so damaging to the regime, will destroy its white support, despite stories of disenchantment with the Rhodesian Front and evidence of rising emigration figures. Indeed, in the short term at least, Rhodesian resistance is likely to be strengthened by the spectacle of the Marxist take-overs in Mozambique and Angola, whence white refugees have flooded into Rhodesia with reports of black brutality and of wholesale expropriation of white property. When the Cuban involvement in Angola had given apparent credibility to the familiar white Rhodesian cry of the Red peril, some Rhodesians may have had a cosy vision of themselves fighting alongside South Africa and the United States against the Communist menace in southern Africa—a prospect admittedly blighted first by the US cut-off of aid to the non-Marxist forces in Angola and South Africa's subsequent withdrawal, and now by Dr Kissinger's Lusaka speech of 27 April, in which he pledged American political and economic support to the regime's opponents. Yet even some liberal Europeans who are prepared to champion the rights of Africans against the regime will still be reluctant to undermine the latter in the face of what may be presented as the Communist threat—'better RF than red'.

In these circumstances, there was unlikely to be any response in Rhodesia to Mr Callaghan's direct appeal to her white electorate (contained in his House of Commons statement of 22 March) to replace Mr Smith with other leaders who recognized 'the realities of the hour' if Mr Smith refused to agree to a timetable involving majority-rule elections within 18 months to two years. It may be, as Mr Nkomo is reported to have said in his exasperation, that the majority of whites in Rhodesia are

[1] Cmnd 4964, pp. 138–9. [2] As reported in *The Times*, 15 March 1976.

reactionaries who can see sense only through the barrel of the gun. Yet it may be that Mr Callaghan's statement would have met with a rather different reception if it had included firm and immediate guarantees to the European population that a rapid transfer of power would not involve them in a fate similar to that of the refugees from Angola and Mozambique. It is easy to understand the British insistence that the principle of majority rule must be conceded before the practical details of a constitutional settlement can be worked out, as it is to sympathize with those who question the moral right to compensation and guarantees of settlers who have remained and prospered in the country under the illegal regime—settlers of whom the majority were not born in Rhodesia and a substantial minority of whom have settled there since UDI. However, perhaps the largest obstacle to the breaking of the Rhodesian deadlock may be found in the understandable anxieties of the European population about the security under African rule of their homes, jobs, property and pension rights. If those anxieties could be allayed, then the prospect of a speedy transfer of power might appear a more attractive alternative to Europeans than the deepening of the present uncertainties.

A viable alternative

On both humanitarian grounds and grounds of expediency, therefore, there appear to be sound reasons for the production as soon as possible of a package offer, which would provide a viable alternative to last-ditch resistance for all sections of Rhodesian European society—the farmers and artisans, the business and professional people, the civil servants and the servicemen. The principle already enjoys apparent wide acceptance as far as both internal and external guarantees are concerned: Tanzania has proposed a Commonwealth compensation fund to encourage 'die-hard' whites to leave the country; a similar scheme was endorsed by Lord Greenhill before he went to Rhodesia on a mission for Mr Callaghan;[3] and the subject of internal guarantees for property and pension rights was discussed at the Nkomo–Smith negotiations. Dr Kissinger, too, endorsed the principle of securing guarantees for whites in an independent Zimbabwe. The British Government does not rule out participation in a compensation scheme, but apparently will consider this only in the broader context of development aid for an independent Rhodesia. As Mr Ennals, when Minister of State at the Foreign and Commonwealth Office, is reported to have put it in Dar es Salaam, 'The thought that we would now, before independence, put any large sum of money into financing those who have supported illegal independence is just not on.'[4]

Apart from such questions as how many 'supporters' of the regime

[3] See his letter to *The Times* of 7 February 1975.
[4] *The Times*, 2 April 1976.

may have been prevented from leaving by Mr Smith's exchange-control regulations, the effectiveness of any such scheme would seem to depend on the sums involved and the precise nature of the guarantees being put on the table as soon as possible so that, as the *Financial Times* put it in its editorial of 23 March, those European Rhodesians who are being asked, if necessary, to depose Mr Smith should know what sort of assurances they are being offered.

This is not the place to set out in detail the kind of package which should be worked out, or how it should be financed. There would seem, however, to be a number of possible contributors both in the Commonwealth and elsewhere, and even if the financial cost turned out to be substantial, it would surely be outweighed by the benefits to all Rhodesians, and to several neighbouring countries, of the breaking of the present deadlock by means other than a prolonged violent confrontation. On the basis that the necessary backing would be forthcoming from interested states, it may be helpful to set out briefly some principal areas of concern:

(1) Public servants

The rapid introduction of Africans (or, in some cases, Europeans prepared to work with a black government) into the civil service, the police, the army and the judiciary may give rise to considerable redundancies or voluntary retirement among European staff. All such staff should be given guarantees as to appropriate compensation for loss of office, pension rights, etc., with an ultimate exterior guarantor. (Cf. the 'Public Officers Agreements' negotiated with former British colonies on independence, and the scheme operated after UDI applying only to 'loyal' Rhodesian public servants.) Those who chose to remain should have the option of permanent and pensionable service *or* transfer to a fixed-term contract with similar guarantees.

Indemnities will have to be considered for public servants under the law of both the UK and Rhodesia/Zimbabwe in respect of liability for unlawful acts committed during the period of illegal independence. The most serious cases here arise out of executions carried out by the regime in defiance of the Queen's pardon. These have been characterized by HMG as 'murder' imposing the heaviest personal responsibility.

(2) Private employment rights

65 per cent of employed Europeans have been classified very approximately as 'skilled and semi-skilled' workers.[5] It is generally recognized that the European artisans have provided strong electoral support for the Rhodesian Front since that party's triumph in the 1962 election, and that anxiety about job security and living standards motivates in a large part

[5] See K. Good, 'Settler Colonialism in Rhodesia', *African Affairs*, January 1974, p. 20, n. 41.

their opposition to political change. However, while it is accepted that the abolition of discriminatory practices in employment may increase competition for certain jobs, anti-discrimination provisions may be included in a new independence constitution to protect Europeans also, and in the economic circumstances of lawful independence there is more likely to be a shortage of skilled labour than otherwise. Nevertheless, if public servants and farmers (see below) are to receive special treatment, a scheme should be devised to ensure that any non-African who may become redundant or who wishes to leave employment in Rhodesia will receive appropriate financial assistance. The scheme for 'voluntary repatriation' assistance to immigrants into the UK provides perhaps a precedent here. Such an arrangement, combined with that regarding citizenship and immigration discussed below, would help to convince the European worker and his family that there is a socially and economically acceptable alternative to last-ditch resistance to a transfer of power in Rhodesia.

(3) Private property rights

One of the most difficult problems is posed by land ownership. Under the present system almost 50 per cent of the land is reserved for European use, and African opportunities for individual ownership are severely restricted. The Land Tenure Act will have to be repealed and an equitable redistribution of land carried out. This is a point about which the European farming community is understandably most sensitive, so the British and other guarantor governments should sponsor a scheme analogous to that employed in relation to the 'White Highlands' of Kenya from 1960 onwards, whereby European estates were purchased and African farms established thereon. African farmers would be assisted with development aid to ensure that standards of husbandry were maintained. This process would inevitably be a gradual one, and many European farmers would need to be encouraged to remain behind. The scheme should therefore extend over a fairly long time-scale to provide security for those who remained.

Protection of assets generally: the new constitution should contain entrenched provisions protecting property rights, and providing for prompt, adequate and effective compensation in the event of the compulsory purchase of any assets. (See, for example, article 5 of the 'Declaration of Rights' annexed to the 1971 proposals; Cmnd 4835, p. 27.) Freedom from exchange control would be guaranteed on a liberal scale in respect of the transfer of assets from Rhodesia/Zimbabwe.

(4) Citizenship and immigration

It is accepted that many Europeans, particularly those of the second or third generation, would be very reluctant to leave Rhodesia. It is also

accepted that many who might leave on independence would be able to go to South Africa (where in 1969 21 per cent of the European population of Rhodesia were born).

As far as entry into the UK is concerned, a Rhodesian who is a UK citizen and was himself born, or had a parent or grandparent born, in the UK is a 'patrial' and may enter this country freely; mono-Rhodesian citizens will be able to do so only if they have a *parent* born in the UK.

It would appear that there may be a number of Rhodesians, European and Asian, who may not wish to become citizens of Zimbabwe or emigrate to South Africa, but who wish either to remain in Rhodesia/Zimbabwe with suitable guarantees or to come to the UK. While the Kenya precedent may seem rather unfortunate, it is not envisaged that great problems would be created if on independence Rhodesians were given the option of retaining, or if mono-Rhodesian citizens acquiring, UK citizenship, with a guarantee that those who are non-patrials will be admitted to the UK on an agreed programme. In regard to those who remained in Rhodesia/Zimbabwe, the UK would be entitled to afford them diplomatic protection, and their property rights and right to live and work in Rhodesia/Zimbabwe could be guaranteed specifically in a treaty concluded between HMG and the new government, which, of course, would be fully binding in international law.

These four points have been emphasized because it is felt that the most valuable contribution that can now be made to the achievement of the rapid and orderly transfer of power into African hands is to show all sections of the European population of Rhodesia that their interests can be better safeguarded thereby than in the continued resistance to substantive political change, which the RF's present policies represent. This is admittedly a very difficult task, as has been stressed above. It may be that, as well as the carrot, a good deal of the stick will be needed—in the shape, unfortunately, of further attempts at economic strangulation and a drastic deterioration of the security situation to the detriment of all people of Rhodesia—before meaningful negotiations can take place. However, it is submitted that anything that can be done now ought to be done in order to make white Rhodesians face the reality of black rule in a constructive spirit. It would be misleading to minimize the social and economic, as well as political, changes which must accompany the achievement of majority rule. This, however, need not mean that there will not be a useful and profitable place for the European in the new state. Bishop Muzorewa has given public assurances on this score, and the Rev. Sithole, generally regarded by the Europeans as their most 'extreme' opponent, was prepared early in 1975 to state categorically that

'African leaders on all levels accept the basic proposition that Zimbabwe is as much the white man's home as it is that of the black man.

> . . . Because of his many skills, the white man . . . has many roles to play in the life of this country.'

The Rev. Sithole then proceeded to give specific reassurances to white farmers, artisans, civil servants and industrialists, emphasizing only that the non-racial principles of the new state would require the removal of discriminatory practices in such areas as farm pricing and job reservation.*

As recent utterances from nationalist sources have indicated, the events of the last few months have drawn heavily on reserves of African goodwill towards European fellow countrymen. The whites, on the other hand, are reluctant to take any pre-independence assurances from black leaders at their face value. The tabling of a scheme as outlined above could provide the necessary catalyst by offering both guaranteed exit terms for those who 'would think it obnoxious to live under a black government' (as the Tanzanian Foreign Minister put it) and security for those who were prepared to remain behind to participate in the country's development under black rule. The experience of the Europeans in Kenya in the last dozen years suggests that both African nationalists and settlers can adapt themselves to the situation presented by black rule in a way which appeared impossible when settlers still aspired to political domination. In Rhodesia at present, however, European politics are still dominated by the illusions of 'independence', even if the regime is in fact a quasi-colonial dependency of South Africa. Such white opposition as there is has no effective alternative to Mr Smith's last-ditch stand. Thus Mr Tim Gibbs, the leader of the Rhodesia Party, reacted to Mr Callaghan's terms by accusing the British Foreign and Commonwealth Secretary, rather than the regime, of forcing the country to the brink of bloodshed, and by warning of the dire consequences of a speedy onset of black rule. One objective of the tabling of the compensation package discussed above would be to provide Mr Smith's European opponents with that viable alternative to the present regime's policies and thus to ease the breaking of the political deadlock over the transfer of power. Time is short, however, and nothing is likely to be gained by keeping such proposals under wraps.

* 'The choice facing the white man in black Africa', *The Times*, 11 February 1975.

China and the EEC: the politics of a new trade relationship

K. P. BROADBENT

Europe has been the main beneficiary of China's reappraisal of her trade policies in the wake of the Sino-Soviet split. This trend is likely to continue despite current Chinese domestic upheavals.

CHINA's recognition of the European Community a year ago—on 8 May 1975—was the first major landmark in a new political and economic relationship. Following the visit to Peking of the EEC Commissioner for external relations, Sir Christopher Soames, China made it known that she would take the unprecedented step of exchanging representatives with Brussels. Relations with the EEC moved a stage further at the beginning of 1976 when Peking confirmed that it was ready to start negotiations for an official trade pact with the Community.

Both China and the EEC prefer to ignore past ideological differences and hostility. It will be remembered that as late as 1971 Peking was denigrating the EEC as a 'centre of imperialist contradictions' backed by the Americans. Now China has become the only Communist country, apart from Yugoslavia, to establish diplomatic relations with the Community,[1] and during his Paris visit in the spring of 1975 the then first Vice-Premier, Teng Hsiao-ping, went so far as to praise the Common Market as 'a means of safeguarding its members' independence and security'. This turnabout in China's attitude stems from her perception of the need for a pragmatic riposte to the super-powers' domination of world trade and security and particularly the Soviet Union's ambitions in the Third World.[2] In the Chinese view, the greatest threat to world harmony comes from the two super-powers' pursuit of global hegemony. Peking sees other countries which are caught up in this contest, such as Australia, Canada, Japan and lately the EEC, as possible progressive allies of Third World countries in combating the influence of the super-powers. This theme was relayed to a special session of the United Nations in April 1974 by Teng Hsiao-ping, who highlighted the role of Europe—the so-called developed 'second' world—as an ally of the Third World. It is Europe,

[1] 'China and EEC establish official relations', *Peking Review* (Peking), Vol. 18, No. 20, 1975, p. 5.
[2] *People's Daily* (Peking), 21 May 1972.

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moreover, that China sees as Russia's prime target, and references to the Sino-Soviet border issue have recently reflected Peking's theory of a Soviet 'feint to the East' masking an 'attack on the West'. In this context, China has even been speaking favourably of Nato and the Western Alliance, whilst at the same time denouncing détente as a sham exercise based on the super-powers' 'divide and rule' strategy. For his part, China's Minister of Foreign Trade emphasized the EEC's importance at the farewell banquet for Sir Christopher Soames last May by commenting that the Soviet threat to world security called for 'united' action. The same theme had been heard earlier in March, when the Lomé Convention between the Community and the Asian, Caribbean and Pacific countries was hailed by China as the 'big event . . . against the super-powers and their hegemonistic practices'.[3]

These political considerations have been backed by changes in the commercial sphere, where China is on the brink of a new situation. The prospects of new-found wealth in mineral deposits, natural gas and oil mean that the Chinese can now look for new suppliers of industrial goods; and Europe is capable of providing a large share of what they need, particularly in the way of capital goods and technical expertise.

Changing trade patterns

On this first anniversary of China's recognition of the EEC, the time seems opportune to examine the present extent and possible future trends of trade between them. The total amount of Chinese trade is comparatively low in terms of national income; imports and exports total only about 5 to 7 per cent of national income. When in 1973 China's external trade exceeded £4,000 m., the highest peak ever, total turnover was still below that of some other Asian countries, notably Taiwan which has but a fraction of the population of the Chinese People's Republic. With annual per caput export earnings of less than £3, China ranks amongst the world's weakest exporters.

The historical reasons for this trade pattern are a mixture of politics and economics. For many years after the Communist victory in China, several countries, led by the United States, imposed trade barriers on Chinese products.[4] China lacked purchasing power and fell back on a policy of self-reliance. The influence of Soviet trade policy during this period was also important. It should be noted, moreover, that the poor transport and distribution facilities inside China created bottlenecks in production; China has tended to use imports to relieve pressure on these

[3] See 'Third World struggle against hegemony in economic sphere', *Peking Review*, Vol. 18, No. 39, 1975, pp. 21–7.

[4] The memory of this is still strong in China. A leading article on trade in the Chinese press stated: 'US imperialism once set up an economic blockade and the USSR turned its back and betrayed China at a time of a series of natural disasters.' *People's Daily*, 22 March 1974.

bottlenecks rather than employ too much time and material at home. Finally, China has always been interested in purchasing commodities and equipment from abroad in large quantities at bargain prices, e.g. Canadian wheat and second-hand British aircraft. Her trade policy has therefore been erratic and based strictly on political motives.[5] Nevertheless, the present era is one of change, both for China and for the EEC.

Since 1949 China has opted successively for three basic trading alternatives: first, open trading in the 1950s, during which period trade grew at an annual average rate of 15 per cent in real terms, and between 1952 and 1959 much faster than GNP;[6] second, a policy of trade withdrawal in the 1960s following the Sino-Soviet split, when imports were minimized by economic necessity as well as policy choice due to the economic depression at that time; and, third, a relaxation of trading relations, especially with 'second world' countries, in the 1970s. The essential point about trade with China is that it has to be self-financing.

China's interest in Europe dates from the Sino-Soviet split in 1960, when her trade with the Soviet Union fell sharply in both absolute and relative terms. By 1968, trade between the two former Communist allies was only a fraction of the 1958 peak and the Soviet Union accounted for less than 3 per cent of the total volume of Chinese trade. On the other hand, when Peking and Moscow once again exchanged ambassadors in 1970 (they had been withdrawn in 1966), under new agreements signed in November of that year total trade rose from its low level of $45 m. to $154 m. by 1971.[7] A similar decline in China's trade with other East European countries took place concurrently, while Western Europe, particularly West Germany, together with Japan replaced the vacuum left by the Soviet bloc's disengagement.

Quite apart from ideological differences, the unfavourable terms of Sino-Soviet trade had been worrying China for some time. Soviet and East European trade has traditionally been based upon bilateral agreements paid for in roubles or an exchange of commodities. The financial basis of this trade was Russia's preference for credit agreements which soon forced China into a deficit position, so much so that by 1959 debt servicing exceeded new credits granted, thus placing China in an impossible situation. Peking's total dissatisfaction with this position was subsequently noted in an exchange of letters between the central committees of the two Communist Parties, in which China maintained that the prices of many goods she imported from the Soviet Union were much higher than those on the world market.

[5] Audrey Donnithorne has emphasized the esoteric nature of China's trade policy and has indicated that our knowledge of how it operates is extremely poor. See 'China's foreign trade system changes gear', *US–China Business Review*, Vol. 1, No. 1, 1974, p. 17.

[6] See A. Eckstein, 'China's trade policy and Sino-American relations', *Foreign Affairs*, January 1975, p. 137.

[7] *New York Times*, 9 February 1972.

Soviet pressure on China continued to mar trade relations throughout the 1960s and, not surprisingly, China began to look elsewhere for markets. In 1963, before the Cultural Revolution, China's trade with capitalist countries began to exceed that with the socialist bloc and by 1970 some four-fifths of China's trade was being conducted with the West. The dismantling of the trade embargo by the Nixon Administration in 1972 marked the final stage in this development, which has been reflected in the surge of US–China trade since then and its tenfold increase in 1972–3 alone.

Table 1
China's Trade with the Soviet Union and Western Europe

Year	*% of total*	*% of Soviet trade*	*Europe*
1950	37·1	35·6	9·8
1955	71·0	49·7	8·7
1960	64·7	41·2	15·9
1965	29·4	10·7	17·8
1970	19·5	1·0	24·0
1975	10·0	0·5	30·0

Source: Adapted from A. Eckstein, *Communist China's Economic Growth and Foreign Trade* (New York: McGraw Hill, 1966), and US Government and EEC reports.

The role of agriculture and the oil option

The importance of agriculture in China's foreign trade should be emphasized. Chinese agricultural exports include foodstuffs and raw

Table 2
Agriculture in China's Trade
(£ million)

	1970	*1973*
EXPORTS		
Foodstuffs	325	795
Textiles	248	535
Raw materials (oil, crops etc.)	215	435
Totals:	788	1,765
% of total exports	76·6	72·2
IMPORTS		
Foodstuffs	178	500
Textiles	77	233
Fertilizers	115	110
Totals:	370	843
% of total imports	33·0	33·8

Source: Compiled from various trade reports.

materials, as well as finished products such as textiles; these make up the bulk of trade.[8] Similarly, one-third of all imports reflect the needs of agriculture, such as fertilizers and farm chemicals of various kinds, as well as tractors and other machinery and breeding stock. Over half of China's total trade, as a result, is concerned with the future development of the farm sector. The fact of the changing international commodity markets for selected farm products now means that China can expect a better return from some items and will, therefore, be able to 'play the market' more to her economic advantage, along with other Third World countries in a similar position.

Another development option open to China is linked to the prospect of her rising oil production. China's new role as an oil producer has been noted in Brussels, and the possibility of her emergence as a new supplier of vital raw materials must seem attractive to European industrialists in view of world short supplies. It is still far from clear how China intends to deal with rich mineral ore deposits, estimated at present to be of the order of 25–30 per cent of total world supply. In any event, it is considered unlikely that China will be willing to part with any of these resources at bargain prices. A big question mark looms over the size of Chinese oil reserves; in 1974 they were estimated at 400 m. tons of oil annually by 1980.[9] Future prices are also of critical importance. According to the figures available at the time of writing, China obtained $12.85 per barrel f.o.b. Dairen for the export of Taching crude in 1974.[10] At present China appears to be going all out to increase production.

When the Chinese ambassador to Britain attended a conference organized by the Sino-British Trade Council on the 'China Oil Industry' in Glasgow last summer (June), a proposal for increased co-operation between the two countries' oil-related industries was tabled. Part of the conference was devoted to a study of Britain's experiences gained from North Sea exploration, and possible applications to China's offshore developments. China's first rig went into operation in the Pohai Bay in 1972, and five rigs are now said to be in operation in the Yellow Sea. Chinese interest in platform construction was confirmed in the spring of 1975 when a delegation to Singapore placed an order for a $36 m. rig, so the possibility of a UK order cannot be ruled out. Oil development has placed a strain on port and transport facilities. Places like Dairen are developing rapidly with new ports and pipelines, as well as refineries. This has brought a demand for complete and knock-down

[8] EEC agricultural imports from China span a wide variety of products and include exotic and speciality items such as pig bristles, bamboo shoots, water chestnuts, feathers, down, horse and bovine hair of all kinds, as well as essential oils, herbs and natural drugs.

[9] 'China's Leap Forward', *Petroleum Economist* (London), November 1974, p. 408.

[10] *ibid.*

plant and equipment as well as shipping.[11] A number of new refineries have been built, largely with French help. Most of China's refineries are now equipped with catalytic petrochemical facilities such as the $300 m. French complex at Dairen, and ENI of Italy have been consulted about submarine pipeline construction.[12]

The future outlook for Chinese oil is difficult to judge in view of the uncertain position of offshore deposits. But China's eagerness to secure the Paracel islands from Vietnam emphasized the importance she places on the international oil economy; and, domestically, the preference for utilizing massive coal deposits[13] for the railways and power industry, leaving oil for exports, shows that the 1973 oil price rise must have had a significant effect on China's trading outlook.

Trends in China's EEC trade

China's trade with Western Europe increased by 17 per cent in 1972 when it stood at $1,098 m.: her imports rose by only 11 per cent, but exports grew by 25 per cent. In 1974, this trade increased by more than 25 per cent (somewhat less than Peking's trade with Japan and the United States), with Chinese imports rising by 30 per cent while exports grew by a slightly lower amount. At the same time China's overall trade deficit with the Community increased by about 40 per cent. The Federal Republic of Germany took the lion's share of this trade; Chinese exports to Germany expanded by 27 per cent over 1973 totals, while imports grew by 33 per cent, increasing China's trade deficit which then stood at $310 m. The British trading picture was somewhat less healthy. Chinese imports of British goods in 1974 fell 19 per cent to $193 m., while Chinese exports to Britain increased 33 per cent over 1973, thereby reducing the bilateral trade deficit to $55 m.

China's trade with other members of the Common Market also increased, particularly in the purchase of heavy equipment. For instance, France exported vehicles worth $31·6 m. and electrical items worth $7·4 m. in 1974, while Chinese exports to France, consisting mainly of luxury items such as silk, fell slightly because of the recession. China is also interested in the purchase of military equipment. Britain and France stand to gain the most of all European countries in this sphere. Interest has been shown in Britain's Harrier VTOL jet and the French Mirage,

[11] Oil development has placed a severe strain on shipping. Chinese oil is transported by freighter rather than tanker. An ageing shipping fleet now needs to be built up as a priority measure, since this method of oil transportation reduces China's competitiveness in world markets. A number of second-hand vessels have been sought and purchased in Europe since 1971 and there are indications that a tanker fleet will be built up.

[12] 'China in the Big League', *Petroleum Economist*, September 1975, p. 330.

[13] Approximately 85 per cent of China's current energy needs are met by coal, less than 5 per cent by hydro-electric power and just over 10 per cent from gas and oil.

and China has already ordered 15 Super Hornet-type helicopters from France, as well as purchasing Rolls Royce engines from Britain in 1975. The latter contract included technical help to enable local assembly. A similar purchase concerned France's Atar 9K50 engine which powers the latest Mirage jet. Both contracts were worth over £100 m. each. The long-term significance of these two deals is that the development of China's aviation industry is firmly linked to Britain and France rather than to the Soviet Union or the United States. The agreements also make it more likely that China will take up her three options on Concorde.

Outside the EEC, Yugoslavia recorded the most significant increase in trade with China, reaching $140 m. in 1974, almost a twofold increase in both imports and exports. The overall direction of China's trade has now been restricted to favour the developed non-Communist world, with the EEC taking a leading role. In 1974, the trade with Western Europe rose by 56 per cent over the preceding year.

Table 3
China-EEC Trade Relations

Country	*Total Trade (£ m.)*	
	1974	*1975*
Federal Republic of Germany	325	420
France	173	300
United Kingdom	165	173
Benelux	144	185
Italy	115	140
Denmark	24*	50
Ireland	8*	12

* Estimated.

Source: Compiled from various trade reports.

Under these circumstances, China's need for imports of high-grade technology from Western Europe will probably continue to expand. Her steel industry will require European assistance. China is short of a variety of steel manufactures and domestic capacity is uneven; she is therefore adopting an import-substitution strategy to cope with this situation. Negotiations with the West German firm Demag to build a new steel complex at Wuhan began as early as 1964, but the contract ran into difficulties during the Cultural Revolution, Wuhan itself being a flash-point in the internal political struggles at that time. The Japanese were later invited to co-operate in a project now costing upwards of $550 m. Similarly, China is trying to increase her rural transportation network and is investing heavily in this sector. At present France is a main supplier of what could be a possible future import-substituting motor industry. The strategy is to shop around for bargains until Chinese design capacities reach the desired standard to make it more profitable to produce domestically.

Conclusion

Europe's role in increasing trade with China has grown in recent years, albeit at a modest rate. In the post-war years, European exports to China have exceeded imports. Estimates for 1975 indicate that 30 per cent of China's trade is now with the EEC, with the original Six taking the most significant share of this trade. In 1975 the enlarged Community grew to be China's third largest trading partner, while the Federal Republic of Germany managed to expand its turnover to become China's fourth largest trading partner after the US, Japan and Hongkong. Germany's trade with China is almost double that of any other individual member of the Common Market.

After the Sino-Soviet split, China's total trade stagnated while world trade was expanding. China had thus no problem in selling her exports. World market prices were stable, enabling her to forecast accurately foreign-exchange earnings and requirements. However, when world inflation gained momentum in 1970, prices rocketed and China's total import bill was exceeding exports.

If the next few years remain relatively stable and the world is able to pull satisfactorily out of the recession, China and the EEC ought to be able to develop a broader co-operation than was earlier thought possible. It is, however, a cautious process. The Soames visit in May 1975 marked a turning-point in the trade development of both partners: China has new-found potential for an accelerated and broader-based development strategy than originally planned, and Europe has outgrown its exclusive preoccupation with its own growth-orientated priorities and relations with former British and French colonies. None the less, it would be wrong to place too much emphasis on the favourable outcome of this relationship. For the Chinese, there is still some uncertainty about the Commission's intentions towards the Soviet Union and the US; and within the EEC, there is a small but influential group who have doubts about the Community taking on any more commitments, while others are known to give priority to fostering better relations with the Soviet Union.

The transformation of China's trade also poses political questions of a domestic nature. The influx of technology will not only bring an increasing number of Chinese citizens face to face with foreign ideas, but it could also expose China to the extremities of world commodity trading. The first full effects of this occurred in 1974 when, as a result of the world-wide recession of trade, Chinese exports fell by 10 per cent and, for the first time, China had difficulty in filling traditional markets. Textiles were worst hit. China's trade deficit, estimated at $1,000 m., was the worst in her history. This year the deficit is expected to be greater still, largely due to an unfavourable imbalance in Sino-Japanese trade. The foreign-exchange problem also threatens China's grain purchases abroad, currently running at about 5 m. tons per annum. Recent emula-

tion campaigns stressing the importance of increased yields underline China's preoccupation with matching food supplies to the rapid growth of her population (estimated at 2 per cent per annum). Imports of grain are still the country's main defence against hunger and, until a major breakthrough is obtained in yields, food supply will remain a major challenge for the Chinese economy.

Peking is not anxious to build up large deficits abroad and is likely to be more prudent in future. Self-reliance is the long-term policy objective; the 'correct road', according to a typical article in the Chinese press, is that foreign technology should be used to develop industry, but must still be considered 'a tortuous, evil path'. It is not current policy to isolate Chinese technicians from all things foreign and it is, indeed, considered 'appropriate' to purchase foreign technology; but 'under no circumstances must we have blind faith in foreign things.'[14]

Though there seems every prospect of individual countries improving their trading position with China in the short term by the sale of much needed capital equipment, it would be a mistake to place too much emphasis on any permanent trade increase. When Sir Christopher Soames addressed European Members of Parliament on his return from Peking in June 1975, he was careful to warn them not to expect too much too soon. China will remain something of an economic enigma to the EEC, given her reluctance to become too involved in international trade or to run too many financial risks in the drive to speed up her economic development. EEC trade statistics for 1974, for instance, show a total turnover of about £765·8 m. between Europe and China; this seems insignificant when compared to the Community's existing trade with CMEA countries which stands at £9,122 m.[15] It must not be forgotten that China is a poor country with a per caput income level of about £50 a year. This leaves little surplus available to purchase exports of the type Europeans expect to sell. In this respect, China represents merely a fraction of the Asian market as a whole. The tantalizing prospect of a vast new trade outlet in Asia is rather illusory. The possibility of a new trade agreement with the EEC cannot, however, be ruled out, and any such agreement would not go unnoticed in the Soviet bloc, which has yet to make a formal approach to the Community.

[14] *Red Flag* (Peking), January 1974, pp. 85–8.
[15] Joan Robinson, 'Europe's links with China', *European Community* (London), No. 7, 1975, p. 9.

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Note of the month

TAIWAN—THE MOST STABLE PART OF CHINA?

As each successive phase of the struggle for Mao's succession captures our attention, we tend to lose sight of the fact that the Central People's Government of China is a very recent phenomenon, going back scarcely 25 years, and that not all the Chinese live under its sway. Those outside the mainland may be only a small fraction of the whole nation but they run into many millions. Particularly interesting are the 16 million living on Taiwan and organized under the official name of the Republic of China (ROC). Contrary to widely held perceptions (partly shared by the author until his recent brief visit to the island), the ROC is not a continuation of the moribund nationalist regime which lost out to the Communists on the mainland and has not maintained its separate existence only thanks to US support while awaiting a final Communist take-over. The country has its crop of serious problems—the possibility of further rapprochement between the Americans and Communist China leading to the withdrawal of US military protection, and the threat to have its hitherto booming exports permanently checked by the world recession and by lower-cost South Korean competition. It is, however, economically thriving and apparently politically stable. It gives the appearance of weathering well its own succession problems, despite the fact that the late President's son and present Prime Minister, Chiang Ching-kuo, is a diabetic with no obvious successor, as his two sons are only half-Chinese, being born of a Russian wife; it has successfully phased out American economic aid and, protected by budgetary and balance-of-payments surpluses secured by an orthodox financial policy, it has been relatively unaffected by inflation, the rise in oil prices and the effects of the world-wide recession.

The political future of Taiwan is often viewed in highly unrealistic terms. To start with the Communist take-over, if and when the United States ultimately withdraws its military protection, which is by no means a foregone conclusion, Taiwan would not be an easy place for the Communists to occupy, as this would require a powerful navy; moreover, it would be a difficult province to integrate fully. Even less realistic is Taiwan's official scenario of an ultimate return of its government to rule the whole of the mainland. The ROC could, however, play a very important part in several other, perhaps less improbable, futures. It could be

left independent outside mainland China as a centre of pre-Communis Chinese national tradition, focal for the overseas Chinese; it could b given a fairly autonomous position in the People's Republic, especiall for a lengthy transition period, and conceivably contribute to modifyin the Communist regime; should the succession troubles lead to the dis-integration of the People's Republic, the ROC would stand out as th only well organized and separately viable province, offering a pattern t be followed by other provinces and/or possibly incorporating th adjoining Fukien.

On the face of it, this hypothesis amounts to the proverbial tail waggin the dog—the 16 million provincial Chinese with the additional handica of a peculiar experience of half a century of Japanese rule exercisin influence over the whole nation of some 800 million. However, the ROC is more than that. It is the depository of the all-embracing Chinese cultur and Chinese nationalism, which may ultimately override the ideologica hostility between the Chinese living on both sides of the Straits o Taiwan who share the same long tradition of a high degree of socializatio and of elitist government. The present contrast between the Communis attempts to attain complete control over the economic and private live of the citizens and the stress on the traditional autonomy of the family an the operation of the market forces in the ROC may not have destroye this basic unity of tradition.

The legitimacy of the ROC Government is firmly rooted in the traditional Chinese conception of a 'mandate from Heaven', and would readily carry considerable weight on the mainland, should its present Communist rulers appear to be losing their 'mandate'. Among the several economic marvels of the post-war period, the ROC was among the most outstanding. The half a million demoralized nationalists who were transported by the Americans to Taiwan in 1949 seemed to be in an untenable position: faced with strong local opposition, fully dependent on US economic and military assistance, and threatened with the hostility of mainland China. The main roots of the Taiwanese success must be sought in enlightened rational economic planning. The architect of this planning, the Finance Minister at the time, Mr Yen Chiang-kan, succeeded in applying his scientific training as a chemist to the organization of the Taiwanese economy. Helped by a veritable *tabula rasa*, as the island had been completely unindustrialized, by the Chinese willingness to be organized and to work really hard, and by massive American aid, Mr Yen was instrumental not only in the phenomenally rapid industrialization of the country, making it the twentieth largest international trader and endowing its population with the highest Asian per capita income after Japan, but also in maintaining the development under firm control and in ensuring freedom from inflation and continuous budgetary and balance-of-payments surpluses. Even now, in his 72nd year, as President,

Mr Yen maintains a keen personal interest in major technological changes.

Not only industrialization but also land reform was fully successful: Taiwan retains a healthy agricultural sector, still encompassing 38 per cent of the population and free from major social frictions. It is fully credible that, as the rulers claim, this reform was voluntarily achieved because the landowners—incidentally Taiwanese and not members of the new elite—had been experiencing increasing resistance on the part of their tenants in the payment of rents and were granted by the Government the fullest compensation for their holdings, in an economy, moreover, which was not at all inflationary and offered profitable opportunities for investment in the growing industry. Although the trappings of democracy are not convincing and the real power and wealth are highly concentrated, the ruling elite seems to be genuinely concerned with what Dr Sun Yat-sen called the 'livelihood of the people'—including also equalization of incomes and a great investment in education and social services though, so far, rather little in housing.

Only this background of domestic strength can explain the phenomenal success of the foreign policy of the ROC. As the result of Peking's sustained pressure, the number of countries maintaining full diplomatic relations with the ROC has been dwindling, from 76 in 1970 to 26 early this year; this, however, does not, on the whole, prevent the ROC from continuing its international trade, sometimes merely replacing embassies with trade missions and information offices. Its Foreign Ministry views the world as divided into three distinct groups: First, Communist states with which the ROC refuses to maintain any relations, despite repeated low-level Soviet approaches about concluding some agreements that have been rejected by the Chinese People's Republic, and East European approaches to open trade. Second, hostile non-Communist states to which the ROC makes occasional approaches but meets no response—Pakistan, Algeria, Iran and Iraq. The third, largest group consists of non-hostile countries in which several subgroups can be identified, each having their individual difficulties in relations with the ROC due to some issues in their relations with the Chinese People's Republic or the United States: (i) those who want to show independence from America—Canada, France and Sweden; (ii) countries on the periphery of China, like Thailand, Burma and Malaysia; (iii) small countries with an issue pending before the Security Council which solicit the support of the People's Republic as a permanent Member; (iv) small states which seek financial support from Communist China; (v) countries claiming to be 'realistic', like the United Kingdom and Venezuela.

Relations with the United States are clearly of the greatest importance but the ROC seeks to counterbalance them by cultivating relations with such powers as Japan, the Federal Republic of Germany, Italy, Spain and

Belgium. It has particularly close relations with another strongly anti-Communist state, Saudi Arabia.

Taiwan's diplomacy is managing to overcome the major difficulties arising from its growing diplomatic isolation, including its exclusion from the UN specialized agencies, except the financial ones in which the People's Republic does not participate. The ROC Government continues to regard itself as a member of the organizations it joined and party to the agreements it signed in the past. In the ICAO, for instance, its representatives are denied even documentation and have to resort to the friendly help of another member to obtain copies; they certainly have no means of directly influencing changes in the policies of these organizations. Nevertheless, the ROC continues to abide by the rules and regulations in force and is able to maintain full communication links with the world and even to negotiate successfully the supply of nuclear power stations by the United States, subject to IAEA regulations.

To sum up, the analysis of Taiwan's policies at home and abroad can contribute to a better appreciation of some aspects both of the politics of mainland China and of the confused issues of legitimacy and international interaction taking place without formal diplomatic relations.

JOSEPH FRANKEL

China after Chou

DAVID S. G. GOODMAN

CHOU EN-LAI's death, at the age of 78, on 8 January 1976 appears to have had severe repercussions on the Chinese political system. Although observers of contemporary Chinese affairs during the last decade have learnt to expect the unexpected, since Chou's death the extraordinary has occurred with amazing regularity. The major surprises of the last few months have included the development of a campaign against 'class enemies within the Party' and the mass demonstrations in Peking and other major Chinese cities this spring, culminating on 7 April in Teng Hsiao-ping's dismissal from his official positions, and the appointment of another Politburo member, the Minister of Public Security, Hua Kuo-feng, as Premier and First Vice-Chairman of the Chinese Communist Party (CCP).

Prior to Chou's death, and particularly during the period when he was in hospital, his place appeared to have been taken by Teng who was the pre-1966 General Secretary of the Chinese Communist Party; although purged during the Cultural Revolution as the 'Number Two Person in Authority Taking the Capitalist Road', he had been rehabilitated in 1973 and by January 1975 had become not only First Vice-Premier of the State Council but also a Vice-Chairman and Politburo member of the CCP and Chief of the General Staff of the People's Liberation Army (PLA).[1] At the time of Chou's death it was generally assumed that Teng would succeed him, a belief reinforced when he was chosen to deliver the eulogy at the memorial service for Chou En-lai on 15 January. However, Teng was not mentioned by name in the official media from that date until 7 April. Instead, at the beginning of February, he was replaced as Acting Premier by another member of the Politburo, the Minister of Security, Hua Kuo-feng,[2] and found himself subjected to a vast amount of personal criticism.

Allied to the attack on Teng has been the rapid development of a campaign against revisionism and 'capitalist roaders', the scope and methods of which have been reminiscent of the Cultural Revolution. Apart from the criticisms levelled at 'those in authority taking the capitalist road', some of the issues raised in the current campaign, particularly over educa-

[1] See Clare Hollingworth, 'Securing China's defences', *The World Today*, December 1975.

[2] New China News Agency (NCNA) reported on 8 February 1976 that Hua had received the new Venezuelan Ambassador in that capacity.

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tion, the role of young cadres and bureaucratization, are similar to those that were uppermost during the Cultural Revolution. The Minister of Education, Chou Jung-hsin, has also been a target of the campaign and has been accused of promoting a revisionist line in education and of advocating a return to pre-Cultural Revolution policies. In addition, a poster campaign unprecedented since the Cultural Revolution (given the original unofficial nature of the movement and its lack of central direction) has blossomed in the Peking universities. In contrast to the official media, these posters even attacked Teng Hsiao-ping by name, instead of indirectly. Though not all the characteristics of the current campaign remind one of the earlier upheaval, the parallel is reinforced by Hua Kuo-feng's description of it as a 'revolutionary mass debate' designed to safeguard the fruits of the Cultural Revolution;[3] similarly, an article in *People's Daily* accused 'the unrepentant capitalist roaders' of having 'audaciously split the Party Centre headed by Chairman Mao' and having 'pointed the spearhead at Chairman Mao and his revolutionary line'.[4]

Finally, there were the demonstrations at the time of Ching Ming (the 'Sweeping of the Graves' festival) on Sunday, 4 April, and the following day. These were remarkable for a number of reasons apart from the violence that erupted in Peking on 5 April. While demonstrating their respect for Chou En-lai and his policies, the participants not only made no reference to the contemporary campaign against 'capitalist roaders', but also offered a slight to Chiang Ching, Mao's wife and a leading radical, by laying wreaths to the memory of Yang Kai-hui, Mao's first wife. The laying of wreaths at the Revolutionary Martyr's Memorials to her and Chou En-lai's memory is in itself unusual, for, although Ching Ming is traditionally a memorial day for the dead, it is not normally celebrated in this way. One must assume that these demonstrations were not officially organized or sanctioned, but this is not to say that they were spontaneous. It is surely too much of a coincidence to accept that similar demonstrations (in both form and content) should take place spontaneously on the same day in different cities throughout China.

Chou and Mao

Interpreting and explaining these events and looking for pointers to the future is no easy matter. Our sources of information on China are severely limited, since the country is not generally open to observation and investigation from outside. As a result, it is largely only with the passage of time and the development of a historical perspective that one can begin to explain events, whilst later developments themselves may lead to further insights of past happenings. Thus the twists and turns since 1969 have necessitated an almost constant re-interpretation of the Cultural Revolution.

[3] NCNA, Peking, 22 February 1976. [4] *People's Daily*, 17 February 1976.

As an early member of the CCP and one of its oldest veteran cadres, Chou doubtless played an important rôle in Chinese politics. He and Mao together have done more than any two other individuals to shape the course of Chinese Communism. He was a member of the CCP's Politburo since 1928, the only Premier of the State Council (and its predecessor) ever known by the People's Republic and since the 10th Party Congress of 1973 the Party's First Vice-Chairman.

However, the exact nature of his role and the consequences of his death are more difficult to assess. Since the Cultural Revolution, it has been fashionable to regard Chou as the state administrator par excellence, who shared Mao's basic outlook on the Chinese revolution and on whom the Chairman depended for support, but who none the less could exert a moderating influence on the decision-making process. It is generally held that Mao could not have launched the Cultural Revolution without Chou's support but, equally, that it was Chou's personal intervention that protected many of the central organs of the state administration (and particularly the central economic ministries) from the attempts by various 'revolutionary rebel' groups to 'seize power from below'. It is also widely assumed that Chou was the linchpin of the successful coalition which was formed against Lin Piao in 1971.

Events since 8 January only partially support this view. Assuming Chou's pivotal position in the post-Lin Piao political situation, and that Teng Hsiao-ping was resurrected as his protégé, Chou's death might conceivably have resulted in an attack from the more radical members of the Party on Teng. However, the current campaign appears (at least superficially) far wider in its political implications than a backlash against 'that unrepentant capitalist roader', as he has since been designated.[5] This radical upsurge can be seen as part of the recurrent debate about the most relevant path of development for China, and the significance of the Cultural Revolution for the future. As such it is also potentially a criticism of present policies. These policies are naturally enough associated with Chou En-lai, and indeed some of the recent attacks seem directed at him. For example, the policy of 'Four Modernizations' (of agriculture, industry, national defence, and science and technology) came under attack in February as the tool of those 'right deviationists' who were trying to 'reverse the verdicts' of the Cultural Revolution.[6] The 'Four Modernizations' were first put forward by Chou at the first session of the third National People's Congress in December 1964, and revived in his report to the first session of the fourth National People's Congress in January of last year. Thus behind the present debate lurks the spectre of differences of opinion between Mao and Chou, or at least between 'Maoists' and 'Chouists' in the Party leadership.

It is tempting to interpret the events of the last few months in terms of

[5] *ibid.*, 29 February 1976. [6] *ibid.*, 6 February 1976.

factions. However, such an analysis is fraught with difficulties, since it must start from the a priori assumption that there are factions, for these are not clearly identifiable. Terms such as 'radicals' and 'moderates' refer to trends in policy preferences and are loosely applied to assumed groups of people. It is seldom possible to associate specific individuals with specific policies, and even if it were, it would not be sufficient as conclusive proof of factional activity. One is perhaps better advised to concentrate on 'tendencies' and the forums of conflict rather than factions and power struggles. This is not to say that there is no power struggle aspect to contemporary developments, but that it should be seen in the context of the debate on policy (which is more apparent) rather than vice versa.

Even in this context there are two further problems of analysis that need to be considered. The first of these is the problem that underlies all approaches to Chinese politics. If Chou's position in the Chinese political spectrum is difficult to pinpoint, Mao's role is an enigma. Since the Cultural Revolution, Mao appears to have withdrawn increasingly from the political arena. He is old and not in the best of health, and this has led some observers to argue that he is no longer involved in any sense in the decision-making process. According to such arguments, it is no longer Mao's political position that is important, but rather that of those of his followers (particularly the Shanghai-based radicals) who have his ear and can use his name in the public debate. Ironically, one of the claims made by the radicals in their contemporary attacks on revisionists is precisely that the latter have used Mao's name and its legitimizing function to justify their 'right-deviationist' line. On the other hand, such suspicions and accusations are by no means a recent phenomenon in Chinese politics. On the eve of the Cultural Revolution similar speculation was rife, yet events proved otherwise. Whilst Mao is certainly not physically fit—for example, he did not, as might reasonably be expected, attend the memorial service for Chou En-lai on 15 January—it would be a mistake to discount his influence completely. And if he is not politically dead, it is reasonable to assume, given his past behaviour, that he is behind, or at least approves of, the current campaign.

Finally, although the radical upsurge followed immediately upon Chou's death, there need be no direct connexion. It is plausible that the attack on Teng Hsiao-ping and the campaign to protect the 'socialist new-born things of the Cultural Revolution' would have developed anyway. A drive against 'capitulationism' had been launched in the late summer of 1975 in the debate on the historical novel *Water Margin*,[7] and revisionism in education was already under attack in December.[8] On the other hand, it may be argued that the precise date of Chou's death is a red

[7] *ibid.*, Editorial, 4 September 1976.
[8] *Hung-chi* (*Red Flag*), No. 12, December 1975, p. 5.

herring: he had been ill for some time and his death had possibly been expected since September, thus enabling preparations to be made for the subsequent events. Indeed, the speed at which these have taken place would seem to indicate that this was the case.

Party problems

The long-term background to the present situation goes back to the ninth Party Congress of the CCP in April 1969, which marked the end of the Cultural Revolution. In the early 1960s a confrontation had slowly emerged within the CCP's leadership, resulting from the debate over the relevance of Mao's developmental model of the Great Leap Forward for the future of the Chinese revolution. On the one hand, there were those who held that the economic crisis of the early 1960s had been directly caused by the Great Leap Forward (1958–61) which had been ill-conceived and too hastily implemented. They argued that China should continue to implement policies more oriented towards economic growth, such as those which had been successful in dealing with the crisis and promoting economic recovery after 1963. On the other hand, there were those (like Mao) who argued that the Great Leap Forward had not been ill-conceived; it had suffered setbacks due to circumstances largely beyond the Party's control, but its principles still held good.

To oversimplify, by 1966 Mao had concluded that the Party leadership was now in the hands of 'those in authority taking the capitalist road' and that, if they were allowed to continue with their growth-oriented policies, the Chinese revolution would become institutionalized and ossify along Soviet lines. To counteract this tendency and restore his concept of 'uninterrupted revolution' as the leading ideological principle, Mao launched the Cultural Revolution. Appealing to the masses over the heads of the Party leadership, he encouraged criticism of the 'capitalist roaders' under the slogan of 'To rebel is justified'. In the following three years China experienced severe upheavals which at times appeared to threaten the regime itself. However, by April 1969 the situation had become much more stable. Social unrest had largely subsided or been subdued, and the economy was well on the way to recovery.

Of course, not all the problems and tensions that had led to the crisis or had emerged during the Cultural Revolution had been permanently resolved. Although there appeared to have been general agreement on a Maoist line for China's future development, specific policies still remained to be worked out. In particular, despite the convocation of the Party Congress, the problem of the Party's organization and role in the post-Cultural Revolution period remained unresolved. Although Mao had challenged the Party leadership during the Cultural Revolution, he had made it quite clear that this was an attack on the 'capitalist roaders'

and not against the concept of Party leadership in general.[9] None the less, the rebuilding of the CCP's organization, based on the principle of 'extensive democracy', was not an easy or quickly accomplished task. At provincial level (which was the first level of the administrative hierarchy to complete this assignment), the re-establishment of Party committees was not completed until August 1971, shortly before Lin Piao's fall.

Difficulties in reconstructing the Party organization were allied to two further problems. In the first place, there was the question of the PLA's role in civilian politics. During the Cultural Revolution, the PLA had been brought into the party-state system in order to restore law and order, and, as a result, had to a large extent replaced the Party qua organization. In the light of Mao's admonition that 'the gun must never be allowed to command the party', this was an undesirable position. Yet there was some evidence that the PLA was reluctant to remove itself from its civilian role, particularly while there was no organized Party to take its place.

The second of these problems was the lack of any reserve cadres to replace either the soldiers or the purged party officials. The Cultural Revolution had taken its toll of experienced cadres. In 1949 the CCP leadership had been extremely young; there had thus been little upward mobility within the Party and little chance for lower-level cadres to gain greater experience and be trained for future top positions. The situation was particularly acute at provincial level. Leadership at this level had been remarkably stable from 1954 to 1966,[10] and it had also been hard hit during the Cultural Revolution.[11]

This problem has remained a constant ever since. The solution that eventually emerged is that which seemed most unlikely at that time: many of the cadres attacked for being 'capitalist roaders' during the Cultural Revolution were rehabilitated and replaced in leadership positions within two years. But this outcome became possible only after the problems (and dangers) of the PLA's involvement in civilian politics had been exacerbated by the events preceding Lin Piao's death in September 1971.[12]

[9] Mao Tse-tung, 'Talks at Three Meetings with Comrades Chang Chun-chiao and Yao Wen-yuan', February 1967. Translated in *Mao Tse-tung Unrehearsed*, edited by Stuart Schram (London: Penguin, 1974, p. 277).

[10] Frederick C. Teiwes, *Provincial Party Personnel in Mainland China, 1956–1966*, Occasional Paper of the East Asian Institute, Columbia University, 1967, p. 62.

[11] By April 1968 only 8·7 per cent of all pre-Cultural Revolution governors and vice-governors of provincial-level units were still active. The corresponding figure for secretaries of provincial party committees was 13·8 per cent. By comparison, 49·2 per cent of all ministers and vice-ministers under the State Council, who had been active in April 1966, were still active in April 1968.

[12] See Philip Bridgham, 'The Fall of Lin Piao', *The China Quarterly*, No. 55, July 1973, p. 427.

Tensions within the leadership

In considering the direction of policy over the whole period since the Cultural Revolution, it would be a mistake to see developments solely in terms of a victorious Maoist line. If anything, the upheavals of the Cultural Revolution have created new alternatives in most policy areas, rather than restricting the policy debate to the radical ideas thrown up at that time. Now, in addition to the debate over the relevance of the Great Leap Forward as the model of China's future development, there has also been discussion over the lessons to be drawn from the Cultural Revolution. In effect, the post-1969 policy debates have been between two major viewpoints on a wide range of topics within the Chinese leadership. One, which arises directly from the experience of the Cultural Revolution, may be designated as the 'radical' view, the other as the 'pragmatic'. Thus, for example, the radical view may be characterized as emphasizing the need for the CCP to be responsive to mass demands; the importance of the PLA's political work; redistribution and equality of wealth in economic affairs; a policy of re-education for intellectuals; and, in foreign affairs, an aggressive and militant line against both the superpowers and imperialism in general. In contrast, the pragmatic view may be characterized as stressing the CCP's decision-making and leadership functions; the importance of the PLA's more purely military functions and its preparedness in case of attack; increased production and growth for the economy; a tolerance of intellectuals so as to utilize their skills for the development of the economy, and at the same time a stress on academic standards (as opposed to political) generally in education; and a policy of coexistence in foreign affairs.

These two views should not be regarded as alternative and competing programmes, but rather as the limits of debate in major policy areas. The last six years have seen an attempt to create a synthesis between the two, and emerging policies have been a mixture of both the radical and pragmatic views. An excellent example of this synthesis in action is the recent campaign in Chinese agriculture to establish Tachai-type counties. Tachai is a production brigade in North China which came to prominence during the Cultural Revolution as a model of the Maoist virtue of self-reliance. Prior to last September, 'Learn from Tachai' was the slogan of a campaign designed to inculcate this and similar values in agriculture. However, in September a National Learn from Tachai Conference was held to discuss agricultural development under the 1976–80 Five Year Plan. At this conference, Hua Kuo-feng announced that the aim of the movement was now to increase agricultural production through combining greater agricultural mechanization (a 'pragmatic' principle) with the raising of the level of ownership within the commune from production team to production brigade or commune level (a 'radical' view).[18]

[18] NCNA, 16 October 1975.

Although the ninth Party Congress met in a new-found spirit of 'Unity and Victory', it would thus be a mistake to imagine that there have been no tensions or divisions within the Chinese leadership after the Cultural Revolution, or indeed since Lin Piao's fall. In addition to the basic divisions over policy preferences just mentioned, there have been tensions arising directly from the experiences of the Cultural Revolution. One can speculate that, despite all statements about the unity of the 'Three-in-one Combinations' of 'Soldiers, Revolutionary Cadres and Representatives of the Mass Organizations' and the 'Young, Middle-aged and Old', there have been four major sources of such tension within leadership groups.

First, and most important in the context of the campaign against 'unrepentant capitalist roaders', is the tension between those who gained power or maintained their positions during the Cultural Revolution on the one hand, and those who were purged and later rehabilitated on the other. It is very hard to believe, for example, that even before the current campaign there can have been much mutual trust between Teng Hsiao-ping and the 'Shanghai Radicals'—Chiang Ching (Mao's wife), Chang Chun-chiao, Yao Wen-yuan and Wang Hung-wen—all Politburo members who owe their present political standing to the attack on the Party leadership during the Cultural Revolution.

Second is the tension between those 'revolutionary cadres' who, although Party officials before the Cultural Revolution, were designated as Maoists at that time and retained their positions, and those cadres who first rose to leadership during the Cultural Revolution and may be assumed to be more radical in outlook. Third is the tension between PLA cadres and civilian cadres. Many of the latter were associated with 'rebel' organizations which had clashed with army units when the PLA became actively involved in the Cultural Revolution. Finally, there have been tensions between centre and province within the PLA: between the more conservative regional army commanders, many of whom had close connexions with the former party organization in the provinces and regions, and the more radical central departments of the PLA and the centrally directed PLA units which had been sent in to reorganize several recalcitrant Military Regions and Districts during the Cultural Revolution.

Although the tension within the PLA was largely resolved by the removal of Lin Piao and his associates after September 1971, the successful anti-Lin coalition was indeed an unholy alliance. The other tensions remained and, as the tenth Party Congress demonstrated in 1973, there was still a shortage of experienced cadres: for example, three Politburo members removed from office in the Cultural Revolution all returned to public life at this congress, Tan Chen-lin, Ulanfu and Li Ching-chuan. At Politburo level, the post-January 1975 relationships between Chou

En-lai, Teng Hsiao-ping, the Military Regional Commanders Chen Hsi-lien and Hsu Shih-yu, the 'Shanghai Radicals' and pre-Cultural Revolution provincial cadres like Wu Te and Hua Kuo-feng, form an intricate and fascinating pattern. In any case, it is a precarious balance, and one can hardly be surprised if some of the tensions have reached breaking point.

Radical attack and response

Against this backcloth it is somewhat easier to identify the forums of conflict and to speculate about recent developments. It is reasonable to assume that these tensions within the leadership were exacerbated by the increasing uncertainty about China's future, in terms of both policy and personnel, which developed after the late summer of 1975. As previously suggested, the importance of Mao and Chou and the relationship between them for the Chinese political system cannot be underestimated. It is not surprising therefore that doubts about the future grew when in September, with Mao not in the best of health and Chou a dying man no longer able to receive foreign visitors in hospital, the discussions on the Fifth Five Year Plan (due to start in 1976) and the Twenty-five Year Plan proposed for 1976–2000 began.

The first signs of a radical campaign appeared during September in the debate on *Water Margin*, with its criticism of 'capitulationists' and its repetition of the Cultural Revolution slogan 'To rebel is justified.' Thereafter the campaign progressed with bolder attacks on revisionism in education in late November, until in February the writing was on the wall for Teng. In general, Teng and other 'unrepentant capitalist roaders' have been accused of creating a 'rightist wind to reverse the verdicts'. The verdicts they are supposed to have attempted to reverse are the results of the Cultural Revolution concerning policy on education and the economy, and the effects on their own positions.

With respect to policy, the campaign appears as a radical attack on the more pragmatic view of development within the Party. In the discussions on the various economic plans, Teng and his colleagues (still unidentified) are accused of having put policies oriented towards economic growth before the class struggle, and of having opposed the line of self-reliance. Thus Teng has been accused of wanting to export too much of China's natural resources, particularly oil and coal, in order to import items which China can produce herself, such as diesel locomotive engines. On education, they are charged with having claimed that post-1969 policies have failed and that more emphasis should be placed on academic standards, on the ground that a professionally and technically educated élite is necessary for China's long-term development. More generally, Teng is accused of having deliberately distorted Mao's instructions by placing the need for 'class struggle' on the same footing as that for 'stability and

unity'.[14] Given that for Mao 'unity' can only be a relative state of affairs achieved through ceaseless struggle, this is an obvious heresy.

In terms of personnel, the radicals' objections are relatively obvious. Throughout 1975 the need for rehabilitated veteran cadres increased with the gradual withdrawal of the PLA from leading civilian positions and the deaths of top leaders. (In addition to Chou, two other Politburo members have died in the last 13 months—Tung Pi-wu in April, and Kang Sheng in December.) The predominant trends in personnel movements have been the replacement of PLA cadres by civilians in the party-state system,[15] and the rehabilitation of the Cultural Revolution's 'capitalist roaders'. These include ten pre-1966 provincial First Party Secretaries and the former Chief of the General Staff of the PLA, Lo Jui-ching. Current radical complaints that 'unrepentant capitalist roaders' have opposed the young 'revolutionary trail-blazers' of the Cultural Revolution[16] are hardly surprising, when all around them the latter see their erstwhile enemies back in the saddle.

In the light of these accusations it would appear that Teng's removal is more symbolic than substantive—clearly such rehabilitated cadres are always likely to be labelled 'unrepentant capitalist roaders'. He seems to have been guilty of no more than putting forward more pragmatic views in the debate on development. Whilst there has clearly been an attempt to identify Teng with previous 'class enemies within the Party' such as Liu Shao-chi and Lin Piao, no new major policy debate has been revealed, nor does Teng appear to have stepped outside the accepted limits of debate. Above all, although dismissed from his positions of authority, he has not been expelled from the Party.

The Ching Ming demonstrations in Peking and elsewhere appear as the public 'pragmatic' response to the radical campaign. Apart from anything else, this impression is reinforced by the fact that many of those who demonstrated for Chou's policies on 4 April in Peking's Tienanmen Square were cadres from central economic and technological departments.[17] Given the possible consequences of the attack on Teng for other rehabilitated cadres, who now are a substantial and influential group within the party, this response was surprisingly delayed. That it came after Teng's fate was sealed would seem to confirm that his removal was seen generally more as a symbolic act. These demonstrations also appear motivated by doubts about the future, and a concern to safeguard past achievements. As one poster read, 'Chou En-lai's spirit will never wither and die!'

[14] *People's Daily*, 17 February 1976.

[15] For example, by October 1975 66 per cent of provincial party secretaries were civilian cadres, and 34 per cent PLA cadres. Yet in January 1975 45 per cent of provincial party secretaries had been PLA cadres.

[16] *People's Daily*, 19 February 1976.

[17] See Martin Woollacott, 'Fragile truce between Peking factions', *The Guardian*, 22 April 1976.

Unfinished business

Although it is clear that the radical campaign has not subsided with Teng's removal and that in any case the spectre of an uncertain future remains, it is none the less possible to suggest some tentative conclusions about recent events in China.

First, with hindsight, Hua Kuo-feng's appointment seems less surprising. Unlike Teng, he had obvious qualifications for the job. He is relatively young (around the early fifties), not an active soldier or cadre purged in the Cultural Revolution, nor an easily identifiable radical (i.e. part of the Shanghai group). On the other hand, he is a member of the Politburo, with experience of administration at both State Council and provincial level; and as a pre-1966 provincial party secretary (in Hunan) who became a Maoist revolutionary cadre during the Cultural Revolution and gained increased political power at that time, he could reasonably be expected to be in favour of preserving the victory of those years.

Secondly, despite the campaign against Teng Hsiao-ping and other 'class enemies', the effects of Chou's death seem relatively limited. There has been no sudden change in policy, nor is this likely in the immediate future, given the divisions and tensions within the leadership; and whilst Hua has been appointed Premier, he too is associated with policies similar to those of Chou and Teng, as his speech at the National Agricultural Conference bears witness. In the longer term, the radical campaign may well have more far-reaching objectives and consequences (assuming Mao's active involvement and influence), but at this stage is seems more likely that its aim is limited to the removal of Teng, *pour encourager les autres*, and to the demonstration of a 'revolutionary mass debate'.

Finally, in many important respects, the present campaign is not—despite outward appearances—like the Cultural Revolution. It is not a mass-based movement; factionalism and the establishment of liaison groups have been specifically prohibited; the areas of conflict are more narrowly defined and less specific in detail. Above all, there seems to be no new major issue of principle at stake. On the contrary, it is Teng Hsiao-ping personally who has appeared as the major focus of the campaign. Paradoxically, Teng's dismissal has resolved very little. One is drawn to the conclusion that recent developments have been more concerned with the future than the present. They represent, with an increasing sense of urgency, doubts about, and the search for, a political solution for China after Mao.

The Italian economy: a diagnosis

JOHN EARLE

Not so many years ago Italy was conspicuous by her economic vitality and rapid industrial progress. What are the reasons for the present crisis?

IF Italy were a person, she would not be far from a bankruptcy court. External debts have reached over $15,000 m., while reserves at the end of December stood at $13,200 m., if one values the large gold component at $149 per ounce, as was the case in transactions with the Bundesbank. The irony is that, in its efforts this year to defend the lira, the Bank of Italy has found gold to be useless; instead it has had to rely, firstly, on quite inadequate holdings of foreign currencies and then, in May, on an emergency package of protectionist technical measures.

Last year GNP declined, for the first time, by 3·5 per cent, and official forecasts of a 2 per cent rise this year are little more than wishful thinking. Government credibility has sunk to the point where representatives of the International Monetary Fund felt unable to agree on the terms of a $530 m. credit which the Treasury Minister, Signor Emilio Colombo, had confidently told Parliament would be made available in February. They postponed the negotiations, apparently unconvinced of the Government's ability to bring public spending under control.

But countries, unlike people, go on. Turnrounds in Italy can be rapid, and it would be unwise to underrate the national capacity for recovery. Yet seldom have the oscillations been so marked as during the last eighteen months. In March 1975 a 50 per cent surcharge on imports was removed, ushering in a period of permissiveness and reflation. In the summer the Government piloted through Parliament a 3,500–4,000 billion[1] lire reflation package (a considerable part of which, however, remained unspent) and in September the discount rate was reduced from 7 per cent to 6 per cent.

Signs appeared of an export-led recovery. In October the balance of payments came into surplus and, under the illusion that exports needed further stimulation, the Government prolonged concessional credit provisions in December. Then, on 3 January this year, it extended payment deadlines in foreign trade, thus increasing the possible impact of leads and lags. Ministers appeared blind to the crisis that, like a bolt from the

[1] Billion = a thousand million.

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blue, threatened a few days later to bring about the collapse of the lira.

In fact, it resulted from a combination of factors. The balance of payments deteriorated, as stockbuilding in the incipient recovery brought a rise in imports, assisted by abundant liquidity. Reports from the United States indicated that the Controller of Currency had expressed caution about lending to Italian public bodies. The Christian Democrat–Republican coalition fell, precipitating a new phase of political crisis.

On 21 January, with currency reserves nearly exhausted, the authorities had little alternative but to stop supporting the lira, which in successive months was to sink from its then rate of 686·725 to the dollar to more than 900. Two timid rises in the discount rate, of one point each, from 6 per cent to 8 per cent had little effect, till on 18 March a brusque rise from 8 per cent to 12 per cent brought a savage credit squeeze, with private loans ranging from 20 per cent upwards. It was no longer a policy of stop and go, but one of stop and stop.

The Government's nerves had clearly been rattled. Its prestige was not heightened by the emergence of divergencies between Signor Colombo and the Governor of the Bank of Italy, Signor Paolo Baffi, over liquidity policy. Signor Colombo chose to make his views known through a letter to a newspaper, arousing widespread incredulity with an assertion that at that moment, in early April, his office did not have details of the banking system's liquidity from January onwards.

Even if the IMF was sceptical of Italian creditworthiness, the European Community was prepared to advance a $1,000 m. credit, though under stringent conditions. No unilateral restrictions were to be put on imports and no subsidies offered to exports. The total expenditure of the state in 1976 must not exceed 39,800 billion lire, while the treasury deficit must not exceed 13,800 billion lire, of which no more than 5,700 billion lire might be made up through printing paper money. The increase of credits to the economy must be contained within 29,500 billion lire, including the treasury deficit.

The serious background to this situation became apparent when the figures for the economy's performance in 1975 were made known. Besides the 3·5 per cent fall in GNP, the state's deficit amounted to 14,500 billion lire, with revenue at 24,000 billion and expenditure at 38,500 billion. Industrial production sank by 9·5 per cent and fixed capital investment, in real terms, by 24 per cent, while the official consumer price index rose by 17·4 per cent. The balance-of-payments deficit was lower at 1,129·4 billion lire against 3,588·3 billion lire in 1974, reflecting the stagnation of the recession. The external debts had brought the unwelcome burden of $1,300 m. of interest payments. The situation once more threatened to get out of hand when the Moro minority Christian Democrat Government resigned at the end of April and a general election was called for 15 June. The ground fell away from under

the lira, which swiftly sank to 926 to the dollar and showed every prospect of reaching 1,000. After emergency consultations with the EEC, the Government obtained the consent of Brussels to waive the condition of no foreign trade restrictions, and announced a protectionist package including a 50 per cent deposit for three months on imports and purchases of foreign currency—much more drastic than the deposit scheme removed in March 1975. This had the immediate effect of temporarily stopping speculation and bringing the lira well under the 900 level, but raised further preoccupations for the future.

Ruling party's responsibility

The reason for Italy's precarious economic situation—visibly worse than that of any other Western country except Britain—lies to a great extent in the system of economic power which the ruling political party, the Christian Democrats (DC), has cultivated during 30 uninterrupted years in office. Politics often influence the most apparently neutral economic decisions. Except for the Bank of Italy, few are the centres of decision which have remained impervious to the advances of the Democrazia Cristiana and its allies.

The basic approach of many DC politicians towards solving a problem is that it is sufficient to distribute money. There is a constant flow of laws and measures allocating so many billion lire for this or that purpose, often very minor in nature, though whether these are subsequently followed through is another matter. In its purest aspect, this attitude doubtless owes much to the historical Christian attitude towards poverty, the dispensation of charity; though, as the recent spate of scandals shows, Christian values receive scant consideration now.

With this goes an almost innate aversion to planning, to the selection of objectives and priorities, and to the elaboration of methods to achieve objectives. The Socialists (PSI) tried to introduce the concept of national planning into government strategy in the years of the Centre–Left coalitions of the 1960s, but their five-year plan was probably never more than wishful thinking and remained a dead letter. Governments have announced plans for various sectors of industry, such as chemicals and petrochemicals, but their practical implementation is disregarded.

The DC has shown itself interested in power rather than politics. As years have gone by, the large apparatus maintained by the party and the leaders of its factions have concentrated on maintaining a power basis through the cultivation of client relationships, to the neglect of political or economic problems. Great importance is attached to placing nominees in top or key positions in banks, public bodies and state-owned industry.

With regard to the infiltration of the banking system, it should be remembered that till two years ago political parties did not have to publish their accounts and it was necessary to ensure that funds and contributions

were obtained in a discreet manner. The Bank of Italy has always resisted political pressures, and a Christian Democrat candidature was put forward unsuccessfully when Signor Guido Carli resigned as Governor last summer in favour of Signor Paolo Baffi. Signor Carli, incidentally, said in an interview at the time that the last straw in his decision to resign was provided by Christian Democrat insistence on two controversial appointments in two leading banks, Monte dei Paschi di Siena and Banco di Napoli. Christian Democrat influence is especially noticeable in the network of savings banks (*casse di risparmio*), an important vehicle for gathering family savings, which are accumulated at one of the highest rates in Europe, and then loaning them selectively to local authorities.

Christian Democrat influence is similarly strong in public sector corporations, utilities, social welfare and insurance institutes and the like. The heads of the big public corporations IRI, ENI, EFIM and EGAM are Christian Democrats; this is not necessarily a criticism, except that in recent years the tendency for corporations has been to devour increasing quantities of public funds and for many of their subsidiaries to register increasing losses (for example Findisder, Alitalia, Alfa Romeo, Aeritalia). The management of some of these corporations has been, to say the least, highly questionable, as shown by an attempt last year by Signor Mario Einaudi of EGAM to buy for a suspiciously high price a Genoa shipping company, or by a warrant issued more recently for the arrest on a corruption charge of Signor Camillo Crociani of Finmeccanica in connexion with Lockheed bribery allegations.

The failure of Christian-Democrat-led government, in spite of repeated promises, to rationalize the wasteful and spendthrift social insurance system forces the Government to plug the gap with large budgetary allocations, to the detriment of more productive expenditure. According to the Communist opposition, the state in one way or another paid out 6,809 billion lire last year to support the running expenses of the social insurance, hospital and health services, while it was calculated that the health system's costs rose by no less than 50·8 per cent in 1975.

The *Cassa per il Mezzogiorno* or development fund for the south, in Christian Democrat hands since its inception in 1950, did work of undoubted value in its early years in providing infrastructure without which no economic take-off in the Mezzogiorno would be possible. Otherwise, its record has been a mixture of lonely 'cathedrals in the desert' and a myriad of small, uncoordinated '*a pioggia*' (or 'raindrop') interventions here and there, often to satisfy the prestige of a local politician.

A spider's web of concessional financing laws has been passed which, besides being difficult to fathom for many entrepreneurs, is not automatic in its application but at the discretion of politically inspired authorities, offering numerous loopholes for questionable practices. However, these laws are at last to be unified into one more rational fund.

A corollary of the party political interest in banks has been a failure to let the stock exchanges develop as vehicles for raising risk capital. The biggest of them, the Milan bourse, is tiny in comparison with other European centres and highly speculative. The regulations are antiquated and, except for the establishment last year of a five-man bourse supervisory commission, the Government has never gone ahead with promises to modernize bourse structures, reform company law and permit the establishment of Italian-based unit trusts. From the narrow viewpoint of political party interests, there is indeed little reason for lessening the dependence of companies on banking finance.

The state's annual budget figures show a wide discrepancy between forecasts and reality, revealing an inability not so much to plan as to foresee more than the shortest time ahead. Paradoxically, however, the treasury often cannot or will not spend what it has already undertaken to. Municipalities are accustomed to being late in paying wages of their employees because Rome does not release the necessary funds in time. The Government has allowed the deficit of local authorities to grow alarmingly to over 25,000 billion lire. At the same time, billions of lire are lying at any moment unspent as '*residui passivi*'. The Opposition has cited figures according to which in 1975 the treasury succeeded in spending 25,713 billion lire or 74·2 per cent of the 34,652 billion lire scheduled on current account, and only 8,404 billion lire or 46·6 per cent of the 18,011 billion on capital account. In other words, the treasury faces its problems in many cases by simply delaying payments, thus forcing the local authorities or other recipients to turn to the banks and increase their already heavy indebtedness.

The authorities have allowed the country to become a large-scale exporter both of capital (much of it clandestinely) and of labour, while at home they have ensured a gainful occupation for only 35·5 per cent of the population, the lowest proportion in the European Community. In what is, on paper, still a market economy the state owns—and protects—the largest slice of industry in any Western developed country. Thirty years of Christian Democrat hegemony have resulted in a wasteful, inefficient and irrational economy.

Whatever government emerges from the next election will have the Herculean task of tackling the basic reforms so long neglected by post-war administrations. The seams are bursting in public housing, schools and education, hospitals and social insurance, and transport services, and if the same old policies of procrastination continue, the economy will fall behind Western Europe towards Third World levels.

A top priority is the reform of the civil service, for if the Government lacks the machinery to implement its decisions effectively, these have no practical meaning. The importance of the problem has been recognized by the existence for years in successive administrations of a minister for

bureaucratic reform, but well entrenched bureaucrats have been more than a match for transient ministers. An attempt in 1973 to weed out their top-heavy ranks by offering inducements for retirement was so successful that some offices were nearly denuded and efficiency was further impaired.

There is, however, a saving grace. The data on which these pessimistic predictions are based are, if not inaccurate, at least incomplete. For centuries Italians have been accustomed to engaging in their activities without reference to government. Taxation returns cover only a part of economic activity. Auditors of accounts are not outside professional experts, but come from within the company or organization, and the published accounts do not necessarily reflect the real state of affairs. Some large firms and organizations maintain secret accounts or financial subsidiaries to help achieve their objectives. Scandals in the last few years have revealed a practice among certain banks of paying supplementary clandestine interest on the deposits of favoured customers, while until two years ago the Bank of Italy closed an eye to the maintenance by banks of hidden reserves. No one suggests that unemployment statistics give a complete picture of the number of people out of work. The Government Statistics Institute, furthermore, has been criticized for producing information which is not only slow but allegedly inaccurate. Equally inaccurate are Government forecasts of how much taxation will yield—considerably more, fortunately, so far this year than anticipated.

The conclusion is that the network of statistics catches only a part of the economic activity that goes on; a good deal escapes the net. We are groping, if not in the dark, at least in the twilight, with the knowledge that the real situation could be either better or worse than portrayed.

The attitude of the Communists

In coming months the Communists will have an increasingly important influence on economic policy, whether they are formally in government or not. They are one of the few organizations in the country to have laid down lines of policy and their cohesion and organization are such that they have for some time conditioned the Government's actions from the Opposition. It is thus important to examine their attitude.

Already in 1944, their leaders say, the late Palmiro Togliatti excluded Soviet-style planning. Over the years they have come to accept the idea of a market economy, in which there is a place for private initiative and for the profit motive. Eugenio Peggio, one of their leading economists, recently emphasized again their acceptance of the private entrepreneur in a leading article in the party organ *l'Unità*.[2]

[2] 'It is as well . . . to stress that we regard as of fundamental importance for the future of the country the contribution that can be given by serious and capable entrepreneurs.' 29 April 1976.

This goes not only for the smaller employers, whom the party has been wooing for some time, but also for the large companies and for multinationals. With regard to the latter, Giorgio Napolitano, member of the party directorate, last month defined the party's attitude; the Communists, he said, were not opposed to the presence in Italy of multinational companies as such—what they were against was a certain mode of behaviour by multinationals, 'when they suddenly leave one country for another'.[3]

The party line is that there shall be no further nationalizations, though mention is made of the desirability of bringing the pharmaceutical companies with their allegedly high profits under public control. Since Italy already has the largest publicly owned sector of any Western capitalist economy, the problem is seen not as one of extending it but of eliminating its wastage and parasitism.

It will, however, be a market economy with a difference. It will no longer be characterized by confused spontaneity as under three decades of Christian Democracy, but dominated by strategic economic planning, which will issue guidelines within which the individual firm will find it advantageous to operate. This planning will try to bring about a massive change of emphasis in productive industry from unrestrained and often unnecessary consumerism to satisfying the community's demands in all the fields in which governments have promised but never implemented reforms. The Communists argue that the private operator will now be glad to know where he stands. He will have reasonable certitude of making a profit if he devotes his energies, with proper managerial efficiency, to sectors such as public housing, school and hospital services, public transport, and agriculture and agro-business; whereas, if he had taken seriously a plan for 30,000 buses announced by a Christian Democrat prime minister in the energy crisis of 1973/4, he would by now probably be bankrupt, for the plan was never translated into practice.

How will the billions of lire be found for an extensive programme of reform and rationalization? First, the party believes that much can be done by making the taxation system workable and cutting out the high degree of evasion that still persists. Second, it would like to see the bourse recover from its state of semi-asphyxiation and be made into a vehicle for channelling savings into risk capital for industry. Luciano Barca, member of the party directorate responsible for reforms and planning, has spoken —though admittedly in his personal capacity—of stimulating the bourse through easing restrictions on institutional holding of equity shares, of encouraging small investors with preferential and possibly anonymous shares, and of encouraging smaller companies to group together in financial consortia that would seek a bourse listing.[4]

[3] See interview in *Business Week*, 3 May 1976.
[4] See his interview in *The Times*, 18 November 1975.

The party would like to see a breath of fresh air in the banking system, fossilized in some aspects through the mode of application of controls under the banking law of 1936. Party experts recommend that objective criteria be drawn up so as to avoid the nomination of bank chairmen on political grounds, that banks' balance sheets should be certified by outside auditors and that in due course the mechanism for obligatory reserves should be reorganized. They see a need for greater competition, through the easing of restrictions limiting banks to certain regions or localities, and through allowing foreign banks to compete for ordinary private deposits—something which the Christian Democrats and the Bank of Italy have hitherto resisted.

Much of this might savour of old-fashioned liberalism rather than Communism. The Communists say that no other Communist party is quite in this situation of owing allegiance to a pluralistic society governed by democratic planning, and this leads them to rediscover the mechanisms of a market economy. It should not be forgotten, though, that their leaders are, above all, consummate politicians, indeed, the most skilful ones in Italy today; and as with all politicians, the announced policies of today are subject to the twists and turns of tomorrow. Beyond a certain point, they do not spell out their concrete intentions.

This has led prominent entrepreneurs like Giovanni Agnelli, the Chairman of Fiat, to doubt their motives. 'What space would a left-wing national government leave to the entrepreneurs?' he asked in a recent newspaper interview. 'The Communist Party is extremely evasive on this point.' As long as it remained vague, he went on, it would not obtain the consensus of the entrepreneurs.[6]

It is, after all, a question of public confidence—something which the Christian Democrats took for granted for too long. There is no doubt that confidence in the Communist approach to economic problems is increasing among the public at large; and there are indications that it is growing among certain, though still limited, sections of the business community too.

[6] Interview with *Repubblica*, 27 April 1976.

Ostpolitik revisited 1976

HELGA HAFTENDORN

In a climate of overall disillusionment with détente, the substantial improvements in East–West relations it has produced tend to be overlooked. And Bonn's Ostpolitik has been carefully balanced by a policy of increased co-operation with the European Community and the Atlantic Alliance.

WHILE frustration over the limited or even one-sided results of détente policy is mounting in the West, the vitality of the Federal Republic's Ostpolitik is highlighted by this month's visit of the Polish leader, Mr Gierek, to Bonn and the prospect of a new journey by the Soviet leader, Mr Brezhnev, to the Rhine. More important, another package of 'normalization' agreements with Poland was concluded at the end of last year, and passed this spring by the German Bundestag and Bundesrat.

In re-evaluating Ostpolitik, it should be kept in mind that there are three dimensions to be considered:

(i) multilateral détente policy, as highlighted by the Four-Power Agreement on Berlin, and the negotiations for a European security conference (CSCE) and mutual force reductions (MBFR);
(ii) bilateral Ostpolitik (or Ostpolitik proper) leading to Bonn's agreements with Moscow, Warsaw and Prague in 1970 and 1973 respectively, and the Basic Treaty with the GDR signed in 1972; and
(iii) the domestic dimensions of Ostpolitik, the significance of which has recently been demonstrated during the ratification debate on the Polish treaties.

These three lines have been closely interwoven: the Federal Republic has supported multilateral détente policy—hesitantly in the 1960s, energetically since 1969—to prevent international isolation in an era of détente and to gain political 'elbow room' previously circumscribed by its image of being the last cold warrior. To avoid '*les querelles allemandes*' (Brandt) dominating multilateral negotiations like the CSCE, Bonn had to achieve a modus vivendi with the Soviet Union and other East European countries over the status quo in Europe. At the same time, it could take advantage of Soviet and Warsaw Pact interest in an all-European security conference to reach agreement on the German question, notably

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concerning Berlin, on the approach to the CSCE, as well as the method of flexible linkages. It had been an irony of the Brandt–Scheel coalition that it started out as an administration pledged to domestic reform, though the most important issue that had led to rapprochement between the Social Democrats (SPD) and the Free Democrats (FDP) had been their close views regarding Ostpolitik while the margin of domestic consensus had been small. A common Ostpolitik was easier and, with regard to the international situation, permitted quick results, which was not the case of domestic reform programmes. Ostpolitik also provided clear-cut issues in a highly sensitive and emotionally loaded issue-area, resulting in a polarization and politization of public opinion. On the basis of public support for Ostpolitik, the coalition won in 1972 a sweeping electoral victory and a comfortable majority in the Bundestag, though not in the Bundesrat.

Controversy over Pension Agreements

The intermeshing of foreign policy and domestic considerations has been *evident throughout the active phase of Ostpolitik, most dramatically* in April 1972 when the Brandt administration lost its parliamentary majority by defectors to its cause. A recent example has been the prolonged and heated controversy regarding the ratification of the Pension Agreements with Poland. These accords date historically and politically back to the force-renunciation Treaty with Warsaw of December 1970, and were meant to enforce or amend it—depending on one's political standpoint. But apart from the merits of the arguments, the reader should keep in mind that 1976 is an election year in West Germany.

Three aspects of Polish-German relations were dealt with in this package of agreements. Of major importance to the German side was the question of the emigration of Poles of German descent in conformity with Polish information obtained with the Warsaw Treaty of 1970—a question that had turned in the public mind from a humanitarian into something of a national issue. The emigration of more than 100,000 Poles, especially from the heavy industrialized regions like Upper Silesia, was felt to increase the existing economic and social difficulties in Poland (marked, among other factors, by a shortage of skilled labour and a lack of funds), and made economic recovery and social stability for Gierek more difficult. To ease its economic problems Warsaw was looking for long-term credits at low-interest rates, while Bonn, in a recession year, wanted to prepare the ground for new markets for its industrial products and for partners in joint economic ventures. Financial problems as well as considerations of opposition at home might have motivated the Polish leadership to press Bonn for a compensation of concentration camp victims. The Federal Government upheld the position that there could be no reparations because of the 1953 London Claims Agreement; it recognized, however,

that a number of Polish citizens had gained social security rights on the basis of pre-war or wartime German legislation.

These questions were discussed in off-the-record German-Polish negotiations on different levels for about two years prior to the Helsinki summit, where a mutual understanding was reached by Herr Schmidt and Mr Gierek. This accord was codified and the resulting package of agreements signed on 9 October 1975 by the German and Polish Foreign Ministers, Genscher and Olszowski. It consisted of four texts:

(i) A treaty covering the mutual accountability of social security benefits;
(ii) a collateral agreement specifying the balance to be paid to the FRG at 1·3 billion DM (£520 m.);
(iii) a low interest credit (2·5 p.a.) of 1 billion DM (£400 m.), to be paid in three years by the FRG, and to be repaid in twenty annual instalments from 1980 on by Poland; and
(iv) a protocol between Genscher and Olszowski in which the latter declares that Poland will permit some 120,000–125,000 Poles of German descent to emigrate to the FRG.

Main issues of contention in the domestic debate—besides the standard reproach by the CDU/CSU that the agreements comprised an unequitable balance of costs and benefits—were the legal validity of the emigration protocol compared to the other agreements; the question of whether persons of German national origin outnumbering the agreed quota were also permitted to emigrate; and the issue of minority rights for Germans staying behind in Poland. Moreover, there was criticism that the Pension Agreements did not contain an obligation on using the social security funds exclusively for these ends, and that Poland was given credit terms otherwise reserved for developing countries. There were also some apprehensions that the thinly veiled reparation payments to Poland might set a possible precedent for other East European countries. In the course of domestic bargaining, the Government gave a number of clarifications on these issues to the parliamentary bodies. As a result, the debate boiled down to the question of unimpeded emigration of persons of German descent from Poland. Here the CDU/CSU opposition asked for additional reassurances by the Polish Government.

While the treaties were ratified by the Bundestag on 19 February with a comfortable majority of votes of SPD, FDP and 15 détente-minded CDU/CSU members (the most prominent being Richard von Weizsäcker, Rainer Barzel, Gerhard Schröder and Walter Leisler Kiep), the situation was more complicated in the Bundesrat. When the agreements were drafted last autumn, the administration seems to have made sure that they would not run aground in the Federal Chamber. At that time the SPD/FDP coalition commanded 20 votes, the CDU/CSU opposition

18 votes, while the Saarland—CDU-led but without a parliamentary majority in the Landtag—was expected to abstain, thus enabling the CDU/CSU to maintain its principal opposition but at the same time allowing the treaties to pass. The situation changed when, in early February, the CDU politician Ernst Albrecht was elected Premier in Lower Saxony in a surprise coup and with the vote of unknown coalition defectors. The Opposition was thus no more in a position to equivocate but challenged to take sides.

At the beginning of March, the principal domestic actors took up the following positions: The Social Democrats were supporting the treaties in their present form, but they—Chancellor Schmidt in particular—were most concerned to win the Bundestag elections in the autumn and had decided to take the issue to the voter should the treaties fail in the Bundesrat. The position of the Free Democrats was dominated by two considerations. For one, the achievement of the agreements was linked to the person of the Foreign Minister and party chairman, Hans-Dietrich Genscher, who was thus under some pressure to succeed. At the same time, the FDP was looking for some common ground with the Christian Democrat (CDU) opposition to allow for an eventual relaxation of the two-block party system (a coalition between SPD and FDP on one side, and the twin CDU/CSU on the other). Genscher was therefore actively working for some sort of compromise formula that would allow the CDU/CSU-Länder (or at least Lower Saxony) to vote for the treaties and thus assure their ratification. The CDU/CSU was faced with a dilemma as it became clear that neither was the coalition prepared to postpone taking the treaties to the Bundesrat nor would the Polish Government allow even their minor revision. The Opposition could either maintain its reservations on the way the Schmidt–Genscher Government was handling Ostpolitik and vote against the treaties, thereby both risking international misgivings and providing the coalition with a handy campaign issue; or it could allow Albrecht of Lower Saxony to vote for the treaties and Röder of the Saarland to abstain, thus risking increased questioning of Kohl's leadership qualities (especially by the right-wing Bavarian CSU), all the more so as it had been disclosed during the Bundestag ratification debate that Kohl had assured both Schmidt and Genscher in September that the treaties would pass the Bundesrat with the help of the Saarland. Alternatively, it could vote for the treaties, thereby risking a credibility gap of its opposition to Ostpolitik but settling the issue *before* the October general election, and possibly easing a realignment of coalition partners by removing one of the strongest bonds between the SPD and the FDP.

The problem thus was for Genscher to provide at least a face-saving device that would allow the CDU/CSU to pass the treaties; and for Kohl to ensure support for a yes-vote among the CDU/CSU country princes,

and at the same time maintain intra-party coherence. Genscher first secured the acceptance by the Polish Government of a German interpretation of the treaties in which it was stated that the Polish Government might (in German: '*können*') allow further persons of German descent to emigrate to the FRG. This concession, however, was not considered sufficient by the CDU/CSU in order to jump the fence. After intense last-minute negotiations by telephone with Olszowski and Gierek, Genscher managed to have Warsaw drop the word 'might' and replace it by 'shall' (in German: '*werden*'). For his part, Kohl out-manœuvred Strauss, and got Filbinger and Goppel, the Prime Ministers of Baden-Württemberg and Bavaria, and diehards within the Opposition, to agree to a positive vote. On Friday, 12 March, the Polish treaties were ratified unanimously by the Bundesrat. Though, from a domestic point of view, the SPD had succeeded in its aims, Genscher and Kohl had carried the day.

Balance-sheet of Ostpolitik

The limited improvement of German-Polish relations as documented by the Polish treaties has to be measured against an overall deadlock in détente policy. The latter had been initiated by the West in order to achieve a stabilization of the international system that would reduce the danger of military conflict and thus allow for a reallocation of major resources to domestic reform. The East joined it with the expectation that it could ease domestic stabilization as a result of economic growth and increasing international acceptance of its system. To the West the Middle East crisis of 1973, the intervention in Angola early this year and growing Soviet armaments seemed to demonstrate that Moscow had not renounced all attempts to tip the overall political and strategic balance in its favour, and that durable international stabilization was still far away. At the same time, the Eastern countries realized that détente politics provided them neither with the joint economic ventures, capital resources and technology they needed for economic progress, nor with the West's acquiescence into the Communist system. In a climate of overall disenchantment with détente it is, however, often overlooked that it has produced quite substantial improvements in East-West relations, both on a global level (as signified by the series of US-Soviet accords, notably SALT I), and—less spectacularly—in the European theatre.

As far as the Federal Republic is concerned, Ostpolitik has brought a relaxation of tension and political normalization with the Soviet Union and other East European countries. The achievement of a modus vivendi in Central Europe has tremendously increased the room of manœuvre for Bonn, which had thus far been severely circumscribed by its futile endeavour to keep the German question politically and legally open while foes and friends alike had adjusted to the status quo and wished to see this issue closed. Indispensable for reaching a modus vivendi was some

sort of accord on Berlin, which had been used intermittently by the Soviet Union and the GDR as a lever to put pressure on the Federal Republic and the West. By the Four-Power Agreement on Berlin and the inter-German traffic agreements the delicate situation of West Berlin was eased although not completely solved,[1] as the recent quarrelling on the extent of the Federal presence in Berlin has showed. With regard to East Germany, the expectation that a policy of rapprochement would be conducive to political change (Egon Bahr: *Wandel durch Annäherung*) was misleading. The challenge to the system itself inherent in such an approach produced in its turn a policy of demarcation (*Abgrenzung*) by East Berlin. It should not be overlooked, however, that the flow of goods, persons and information has tremendously increased in the last few years, in particular transit through and visits to the GDR, and that they have been much more simple and secure than ever before. For the people involved this has been a big step towards normalcy.

West's cohesion preserved

Most important to the stability of the international system has been that Ostpolitik was achieved without endangering the cohesion of the West; it has not led to reduced but rather to increased co-operation among the central core of Nato and within the caucus of the Nine (as demonstrated during the CSCE negotiations). This has been achieved by a policy of multilateral instead of bilateral détente policy. From the very beginning Bonn has sought to secure its own approaches to the East by a firm support for all multilateral negotiations like CSCE and MBFR: this attitude has reflected its concern to allay fears, expressed especially by Dr Kissinger, that Ostpolitik could go too fast, too far and beyond control. On the whole, the Federal Republic has been careful not to endanger its special security relationship with the United States by adjusting to the interests of its major alliance partner, though minor frictions have arisen between them due to different priorities in their dealings with Moscow. Stressing the multilateral aspects of détente policy was also meant as a signal to the East that the Federal Republic did not contemplate a fundamental shift in its Western orientation or perhaps a '*renversement des alliances*'.

After the conclusion of the Eastern treaties in 1970–2, Ostpolitik has been primarily Westpolitik, with German proposals addressed not directly to Warsaw Pact countries but rather to the partners in the West. With regard to the CSCE, this policy was managed by the Nine in co-operation with the United States and non-aligned countries; in the case of MBFR, by the inner core of Nato, with changing roles and impetus, however. It is probably within the range of multilateral détente politics

[1] See Klaus Schütz, 'Berlin in the age of détente', *The World Today*, January 1975.

rather than bilateral Ostpolitik that further developments might become possible.

As was shown in the case of the Polish treaties, the domestic situation within the Federal Republic is characterized, on the one hand, by looking at Ostpolitik in more or less ideological terms; and, on the other, by subordinating it to tactical considerations of how to out-manœuvre the other side, and to win the autumn elections. While it will be difficult to distinguish one from the other, and not to be misled by declaratory statements destined for the moment, it might be fair to say that there is a tendency on the part of some of the SPD rank and file either to mix up ends and means and give a moral halo to Ostpolitik; or to over-extend its instrumentality and regard it as a lever for social change in the direction of a convergence of the political systems in East and West. The CDU/CSU, for its part, is maintaining a rather contradictory position, supporting normalization with the East European countries as such, but criticizing the methods employed by the Schmidt–Genscher administration, without, however, offering realistic and negotiable alternative solutions. Should Kohl win the elections and the CDU/CSU form the next government, it can be expected that they would not only respect the results of Ostpolitik but cautiously continue on this way. The visits of Kohl and other leading CDU politicians to Moscow and Warsaw, and the assurances given there, underline this argument. The heavy criticism of Strauss and some others within the CDU/CSU has to be regarded as a mixture of folklore, intra-party struggle and differences in foreign-policy priorities. The sharp distinction sometimes made by the critics of Ostpolitik between it and Westpolitik does, however, overlook the high degree of intermeshing between them.

What has changed since the initiation of Ostpolitik in the late 1960s, and what are the likely prospects? Most apparent is the reduced margin of expectation linked to Ostpolitik and détente in general. It is no more assumed—as was somewhat rashly done in connexion with Brandt's conception of a system of peaceful order in Europe (*Europäische Friedensordnung*)—that Ostpolitik could lead to a convergence of social systems in East and West, or at least be conducive to political change in Eastern Europe and the Soviet Union. What we may be looking for are not spectacular agreements like the treaties of the early 1970s, but rather a policy of little steps (*Politik der kleinen Schritte*), recognizing the increased interdependence of European states—and accepting periodic setbacks. In the bilateral realm, there might be new economic joint ventures or increased co-operation in the field of transport or environment; on the multilateral level, some sort of arrangement might be achieved at the MBFR talks as soon as the dust of this year's elections in the United States and the Federal Republic has settled.

Will the results of Ostpolitik warrant the costs? We have to realize that

there is no alternative to it and détente policies in general. To question the present modus vivendi in Europe and to substitute confrontation for co-operation—however limited this may be—would bring us back to the era of the Cold War with all its dangers. The risks of Ostpolitik can be reduced by balancing it with a strong Westpolitik, and by stressing its multilateral elements. All the same, replacing East–West détente with a policy of strength could be deadly in an age where we live under the threat of mutual destruction. But it should be kept in mind that there is a competitive as well as a co-operative dimension to détente, and that we have to prepare for both.

Confrontation in the Western Sahara

JOHN MERCER

With Morocco and Mauritania in possession of the desert, the survival of the Democratic Arab Republic of the Sahara depends on outside support, in turn largely the outcome of East–West interaction.

ON 16 October 1975 the International Court of Justice published its opinion that the ties between the Western Sahara and, respectively, Morocco and Mauritania did not support either of these countries' claims to sovereignty. The Court recommended self-determination for the Saharauis, in line with the last ten years' resolutions of the UN General Assembly and with the advice of its 1975 Mission to the territory.

Morocco and Mauritania had two immediate reasons for bringing the issue before the Court: the first was to avoid a referendum announced by Spain for 1976, since the result was not expected to be in their favour. The second was to obtain a public opinion which, including a predictable condemnation of Spain as the colonial power, could be used to present an already-planned occupation of the territory as an exercise in decolonization. The manœuvre had been the outcome of the secret meeting between Moroccan and Mauritanian representatives in New York in October 1974.

Following the Court's decision, the Moroccan press concentrated on the judges' reference to the Saharauis' 'allegiance' to past Sultans and, the same day, King Hassan announced 'Operation Sahara'. Projected abroad as a 'green' or 'peace' march, it was presented as the *massirat fath* or 'victory march' inside Morocco. Although aiming directly at the acquisition of the southern desert, the king also needed the campaign as a diversion from problems within the country.[1] His restless army, back from the Golan Heights with enhanced prestige, would be well occupied by being sent to the Sahara; but it was noticeable that students and miners were not allowed to join the march. A further reason for the take-over of the desert was the adverse effect on Morocco's phosphate exports of the Bou Craa mine's more efficient production—by adding the latter's 10 m. tons p.a. to Morocco's 20 m. tons p.a., the king would eliminate competition and increase his share (already a third) of the world market.

[1] See John Damis, 'Morocco: political and economic prospects', *The World Today*, January 1975.

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To achieve these ends he did not hesitate to disrupt both the economy and the society of Morocco. By telling his people that the Western Sahara was Moroccan and imparting a 'holy war' quality to the campaign against the colonial power, Hassan succeeded in uniting the country behind him.

Spanish interests, Algeria's stand, indigenous resistance

There was some evidence that the march had been planned in advance of the Court's decision, with Madrid's acquiescence. By the middle of 1975 the escalating pressures of guerrilla activity, mutiny of local troops and international disapproval had brought Spain to announce her intention to depart. But first she had to find a way of securing a share in the future benefits of the desert, of safeguarding the honour of the armed forces and of ensuring a trouble-free withdrawal whilst appearing to fulfil her responsibilities to the Saharauis. The contrived origin of the 'confrontation' was suggested by the rapidity with which, following the announcement of the march, Morocco and Spain reached agreement. General Franco, anyway ultimately in favour of rapid withdrawal, was dying, and Solis Ruiz, Secretary-General of the *Movimiento Nacional*, was unfettered in his cordial talks with Hassan. Solis belongs to Madrid's right-wing 'Moroccan lobby' whose members hold large investments in the Bou Craa phosphates and in Morocco, the latter mirrored by Hassan's own investments in Spain. In general, however, the Spanish were not in a mood for withdrawal in the face of the Moroccans: many of the Right saw only their army's humiliation, with the Catholic churches and cemeteries in the hands of Islam, whilst the Left supported the Saharauis' wish for self-determination. King Hassan's plans were unexpectedly impeded when Prince Juan Carlos, who had provisionally assumed power on 30 October, assured the Spanish troops that there would be no withdrawal and set aside the agreement with Morocco—to which he had probably not been a party. In seeming to assert his leadership he was, in fact, heeding both the strong objections of his military command and the arguments of a further contestant, Algeria, the leading supplier of oil and natural gas to Spain.

During the years prior to the Court's hearing, Algeria had worked with Morocco and Mauritania towards decolonization of the territory by Spain. By 1974, however, Morocco had expressed her intention of taking over the desert and Algeria had come out equally firmly in favour of self-determination, an attitude expressed in the Algerian submission to the Court. Algeria fears the expansion of feudal Morocco's power: Allal al Fassi's 'Greater Morocco', first proposed in 1956, embraces not only the coastal lands down to the Senegal but also a part of the Algerian Sahara; and the dispute over the line of the southern end of the present frontier was not settled by the 1963 war. A further aspect is Algeria's preference for the shorter Atlantic route for the export of iron-ore from the Gara

Djebilet mountain, south of Tindouf; still unexploited, the deposit is claimed by Morocco when policy demands. A *Times* leader remarked that '. . . interests do sometimes coincide with principle, and the weight of principle certainly seems in this case to be on the Algerian side'.[3]

When the 'confrontation' took place, after declarations by Spain and Morocco that a token entry would be the march's limit, behind the vivid scene depicted by the world's press the second phase of King Hassan's scheme was getting under way. Whilst television showed him dejectedly announcing the end of the inconclusive *massirat fath*, far away to the east of the journalists' camp the Royal Moroccan Army was entering the Western Sahara. The Moroccan press releases referred to a small body of marchers in the region; in fact, a small group of the expendable *pègre casablancaise* was sent there with the army. The king relied both on distance and on the foreign journalists' concept of the confrontation as one between a colonial power and a crusading African country; little had been heard of 'Spanish Sahara' until then and the full issues were not generally understood. The Spanish Army coincidentally evacuated the north-east just before the march took place, so that the Moroccans found only the Saharaui militia defending the region.

This group, founded in 1973 as the 'People's Front for the Liberation of Saguiet el Hamra and Rio de Oro' (Polisario), had since carried out guerrilla attacks on the colonial power, most effectively on the phosphate conveyor belt, thus forcing Spain to conclude a secret agreement with it in September 1975; but the October events led to accusations of betrayal by Polisario. The Spaniards had also tried to neutralize the movement by the formation of a rival 'Party for Saharaui National Unity' (Puns), similarly standing for independence but favouring 'friendship' with Spain, while the Moroccans had formed the 'Front for Liberation and Unity' (Flu), a pro-Hassan guerrilla force made up of Saharaui soldiers in the royal army. Polisario had fought against both these groups. In the summer of 1975 the UN Mission affirmed that Polisario had the support of almost the entire population, but little was known about the militia, which did not then have a national press to publicize it, until it became involved in the full-scale clash with the Moroccan Army in mid-November.

The tripartite agreement

The honour of the Spanish Army having been saved by the 'disuasion line' which had blocked the path of the 350,000 marchers, the agreement of 14 November became possible. The treaty—the point of convergence of the tactics of Spain, Morocco and Mauritania—was drawn up without consultations with Polisario, the United Nations or Algeria. Its reference to the UN directives on self-determination meant consulting the tribal assembly, a body which had been declared unrepresentative of

[3] *The Times*, 11 November 1975.

the people by the UN Mission and even by Morocco in midsummer; the UN had advocated a supervised referendum.[8] It was a triumph for the Moroccan lobby in Spain and had the support of the United States, anxious to safeguard its interests in the phosphates and its bases in the Western Mediterranean and opposed to the spread of Soviet-backed Algerian socialism down the west coast. The 'diplomatic lobby' led by Cortina Mauri, the Spanish Foreign Minister, would have preferred an 'independent' Sahara with ties with Spain, as envisaged by Puns.

The terms of the agreement, providing for a tripartite administration until 28 February 1976, the day set for the formal consultation of the assembly and for the Spanish departure, are illuminating. The Bou Craa mine, with an investment of at least £200 m. by Spanish, German, French and US interests, would remain 35 per cent under Spanish control. Hassan, claiming all along that he was acting for the benefit of the Saharaui people, remarked that it would cost him more to administer the desert than he would reap from the world's largest phosphate deposit. Fishing rights over the Saharan Bank for the Canary people were agreed: the islanders have for several centuries drawn a good part of their livelihood from these waters, with some 20,000 people now working as crews and in the archipelago's 40 processing factories. A period of Moroccan tolerance for the Spanish *presidios* on the Mediterranean shores was agreed; the issue had already been placed on the UN agenda by Morocco in January 1975. There was also discussion of the possibility of future Spanish military bases in the Western Sahara and of Moroccan co-operation over Gibraltar, by withdrawal of her labour force. At first, no details were given of the division between Morocco and Mauritania; but on 16 April 1976 it was announced that Mauritania would take a third of the territory, below a line from Dakhla (Villa Cisneros) to Ijil, together with an unspecified share in the exploitation of the Bou Craa mine. The Spanish Cortes set its seal on the treaty, by 345 votes to four, on 18 November.

The strategy of each party was now to attempt to prove or disprove the validity of the agreement. Hassan concentrated upon demonstrating that it had the immediate support of the Saharauis in the shape of the tribal assembly. According to his press, 70 per cent of the 101 members had approved the terms; they had then gone to the Polisario stronghold of Guelta Zemmour, on the centre-interior frontier, to explain their viewpoint but, at gun-point, the militia had taken them to Algiers and forced them to declare both the assembly dissolved and their support for independence; back in the desert again they had escaped to Morocco. Subsequently the king had 'accepted their allegiance' and 'confirmed their status as the true Assembly'. Hassan is supposed to have paid their

[8] United Nations, *Report of Visiting Mission, 1975*, A/10023/Add. 5 (7 November 1975), para. 311.

president, Khatri, over £1 m. to make a public transfer of allegiance[4] and the Spanish may have added to his wealth on the Peninsula. Polisario, on the other hand, claimed that two-thirds of the old assembly had joined it, publishing names and photographs of identity cards in its newspaper.[5]

Polisario's political and social orientations emerged as the struggle developed with Morocco. The movement, whose leaders are in their late twenties, is guided by socialist principles and organized on democratic lines. The tribal assembly's 'dissolution' was followed by the formation of a 41-member 'Saharan National Provisional Council', separate from the militia; comprising a mixture of civilian and military leaders with Mohammed ould Zyou as president, it claimed to represent all Saharauis. The 1974 census totalled 73,500 people, 41,000 living in the three main settlements; there were 19,000 men, 17,000 women and 37,500 children. Tribal, racial and caste differences are said to have disappeared in the common purpose; radical social change, especially freedom for women, is a central tenet. The Council declared its intention to nationalize the phosphate industry but to seek foreign technical aid. Its publicity arm, using Algerian radio and printing facilities, has described the education of both child and adult refugees in the 'free' area in school subjects, armed conflict and political awareness. In the camps there is a constant stress on national identity, ranging from the display of a Saharaui flag to the commemoration of martyrs.[6]

Towards escalation of the conflict

Spain has since claimed that her efforts were aiming to ensure a trouble-free withdrawal and, with the lesson of the post-independence violence in ex-Spanish Guinea in mind, she offered the civilian population inducements to leave. The administration at once handed over *de facto* control to Morocco and Mauritania; nevertheless, on 1 January 1976 it set up a commission 'to study the transfer of power to the General Assembly'. The army was withdrawn at a rate which evoked protest from its leaders, with the outspoken Colonel de Viguri replaced. Throughout the period, Spanish policy was to ignore criticism and insist, in the words of the Prime Minister, that the country had been 'faithful to its double mission' of satisfying the desert population and of carrying out UN directives.[7]

Morocco, faced by determined resistance, now adopted a number of tactics. First, she encouraged the return of Saharauis who had moved to Morocco during the Spanish period as well as the immigration of Moroccans—according to Polisario, in order to swell the pro-Moroccan voice in case of a UN-administered referendum. Second, with Polisario

[4] Private Moroccan source. [5] *Sahara Libre*, 29 January 1976.

[6] For example, one of the Tindouf refugee camps carries the name of Hafidh Boudjema who died, aged 23, in an El Aaiún gaol last year.

[7] *The Guardian*, 29 January 1976.

increasingly supported morally and materially by Algeria, Hassan alternately threatened Boumedienne and tried to present him as the aggressor. Third, the king concentrated massive forces in the desert, pushing Polisario back to the short Algerian frontier. His policy towards the civilian population can only be inferred from the February statement by the International Federation for the Rights of Man that it was satisfied of the truth of accusations of general repression, torture and killing; the Geneva Red Cross announced that, helped by £250,000 from the UN Refugee Commission, it was looking after 45,000 refugees in the Tindouf camps. However, the Moroccan press was describing demonstrations in the capital, El Aaiún, of 'the Saharauis' joy at their reunification with the motherland', and depicting them settling down under the new order. This was followed by the announcement of an economic development plan to spend 3,000 m. dirhams in 1976 and 1,000 m.–2,000 m. dirhams during its five-year span. Amongst the promised projects is a Marrakesch–Bou Craa railway, road improvements, the development of tourism, a new mosque and a Centre of Islamic Studies. Countering the 'free' Saharauis' stress on national consciousness was the massive issue of flags and portraits of the king. The strict security measures in the Moroccan zone were said to be necessary 'to protect the remaining Spanish citizens' from Polisario; only minor, policing operations were reported from the desert. Finally, the king offered a pardon to 'those led astray by the propaganda of a foreign power', a reference to Algeria.

Mauritania's plans remained obscure until early December. In the years prior to the Court's hearing, President Moktar Ould Daddah had first claimed all of Spanish Sahara, then only the south. In a moderate contribution at The Hague, Mauritania had accepted the Saharauis' right to choose, though reaffirming her claim. However, with Hassan uncompromisingly against a referendum and clearly moving towards absorption of the territory, Daddah had no choice but to abandon his middle course and join in the Moroccan action; Boumedienne met him at Béchar on 10 November to try to dissuade him but the Mauritanian President used the talks—by playing on Morocco's fears of a resulting Algerian-Mauritanian understanding—to extract better terms from King Hassan over the forthcoming division of the desert.

Daddah was concerned above all to keep the 'Greater Morocco' threat at bay: had he let Hassan take the south, Morocco's guns would have been in range of Mauritania's main port of Nouadhibou and of hundreds of kilometres of the Miferma railway, carrying the iron-ore that brings in 90 per cent of the country's foreign currency. Further, the Saharan fishing bank, exceptional only below Villa Cisneros, with any offshore oil, would have been claimed by Morocco. Thus in mid-November Daddah closed the Polisario office in Nouakchott, had its members arrested or deported and set up a 'Front for the Liberation and Reintegration of the Sahara'.

Helped by Moroccan jets, air-lifted troops and artillery, the Mauritanian forces took the Polisario stronghold of La Guera, close to Nouadhibou, after a ten-day siege. However, Daddah found the northerners in his 2,600-man army reluctant to fight against the Saharauis, with whom many were closely related, notably the Reguibat tribesmen; his Government has always met with opposition from the north.

From this point the struggle escalated, with international support increasingly aligned behind the contestants. Algeria could see that the Spanish had effectively left and that there was little hope of a referendum; that Mauritania, with Moroccan aid, was occupying Villa Cisneros; that Polisario's territory was shrinking rapidly, despite effective raids into the interior, against the capital and, a new tactic, into Morocco and Mauritania. Algeria, therefore, stepped up the scale of her participation.

Assessment of the contestants

On 4 January, Algeria increased her military budget by 20 per cent; and a stream of Russian planes delivered arms to Algiers, including T-62 tanks and anti-tank guns. When, in mid-January, Polisario besieged and eventually took Ain ben Tili, a vulnerable Mauritanian post north of Bir Moghrein, Daddah asked for Moroccan help: one of Hassan's jets was destroyed by a Russian-built SAM-6 missile. Soon after, the battle for Amgala, south of Smara, brought Algerian forces in direct conflict with those of Morocco; Boumedienne said his troops were delivering food and medicine to Polisario, but Morocco reported the capture both of a range of conventional artillery and of SAM-7 shoulder-fired missiles and Chinese landmines. The Saharauis were said to have tanks and armoured cars, the latter necessary for firing the SAM-6 weapons. It was also alleged that 200 Cuban instructors and a group of Vietnamese volunteers had joined Polisario. Yet six months earlier the Saharaui weapons had been at best those taken from the Spanish, at worst 50-year-old rifles. Polisario is led by the 28-year-old Sayid el Ouali, a Reguibat; many of its older soldiers have the experience of service in the armies of France, Spain, Morocco or Mauritania. By February Polisario claimed to have 5,000 men under arms.

Behind the Saharauis stands Boumedienne's 'People's National Army'. Its regular force, deployed along the frontier, totals 55,000 men, with the five classes of reservist on the alert bringing to 100,000 the manpower on call. Algerian armaments comprise 450 tanks and 200 combat planes, mostly Soviet, together with FROG and SAM missiles; Hassan accused Algeria of using 50 MiGs at the second Amgala battle, in mid-February. Boumedienne has the support of Colonel Qaddafi, who also sees Hassan's feudalism and US support as a threat to revolutionary socialism in the Maghreb: he has pledged Libya's 100 Mirage jets to the Algerian-backed Polisario side, together with financial aid. Soviet Russia

has 600 military advisers in Algeria; to her massive military and economic aid programme was recently added a proposal for an ore-transit railway from Gara Djebilet to Béchar.

Moroccan forces also total about 100,000 men; the desert army is estimated at 30,000 men. Morocco is the weaker in armaments: 250 tanks and 50–100 planes, mainly French in each case, with a rumour of an order for 75 Mirages early in 1976. It is to America that the king looks for his main support: in 1975 $23·5 m. (60 per cent for military purposes) but for 1976, following hasty meetings after the January escalation, $36·7 m. (80 per cent military). In March, with an eye on the US, the king declared he had evidence that 'the Sahara was to have been a springboard for a revolutionary movement manipulated by Polisario and certain Spanish Communist officers, as happened in Portugal'. With the US line on Soviet expansion in Africa hardening came the announcement of the sale to Morocco of two dozen F-5E fighters, a deal officially stated to have been under negotiation since 1974.

The Mauritanian Army, following the introduction of conscription, stands at about 6,000 men, supported by conventional artillery and some transport planes. The Moroccan Navy is present off the north coast, Mauritania's few coastguard gunboats patrol the south.

Moral support for Polisario has come also from Mali,[a] and Algeria's backing of MPLA in Angola has brought the reciprocal support of black Africa. A few of the Arab states, such as Syria, have joined the East European countries, Cuba and Vietnam in backing Polisario, which is getting increasing support from non-governmental sources in Spain itself, both from humanitarian groups and from the Communist-led alliance Junta Democrática.

At the front of Morocco's second level of support stands France who, with 'complacent cynicism' according to *The Times*, has claimed neutrality whilst aiding the king; in December, for example, she hastily delivered 50 tanks. Hassan has been asked to visit Paris, but an earlier invitation to Boumedienne was dropped and problems such as the conditions of Algerian workers in France and the attacks on Algerian property there have also added to the tension. President Giscard d'Estaing remarked that the Saharauis were too few to form a viable state, at a moment when France was setting up a country of similar size in Djibouti.

Morocco also draws support from Saudi Arabia, and it appears that last November the Saudis countered Algeria's threat of sanctions against Spain by offering to make up any needs of the Iberians in oil and gas. As a friend of the US, Saudi Arabia has possibly a part in Morocco's purchase of American arms. Further countries approving the partition are Tunisia and a few other Arab states, Senegal and some West European countries.

[a] Partially within 'Greater Morocco'.

Moving ineffectively between the conflicting countries have been the mediators of the United Nations. The Security Council, after deliberating for two weeks, did not condemn Hassan's march until it had begun, on 6 November. The Secretary-General's proposal for a six-month cooling-off period, with UN administration, was ignored. On 27 November the Decolonization Commission condemned the Tripartite Agreement. In December the General Assembly passed two conflicting resolutions. Algeria's self-determination motion was supported by 84 votes to three, Spain amongst the abstentions; yet a motion accepting the treaty received a 48–32 vote endorsement, again with many abstentions. In February, the UN representative sent to prepare a referendum was told that the Saharauis would be consulted on the 28th through the tribal assembly. Invited to send merely 'an observer', the Secretary-General declined, saying the consultation should have been under UN 'supervision'. From a practical point of view, a direct referendum would have to cope not only with the opposition of the two new administrations but also with the fact that half the population is in refugee camps outside the country and the other half, according to Polisario, is subject to intimidation; moreover, the Moroccan immigrants would have to be separated from the true Saharauis. Throughout the whole period of the tripartite administration, the UN sent no observers to the desert, although both the Visiting Mission and the Spanish Government had suggested this as long ago as mid-1975.

The prospect for the Saharauis

The tripartite administration ended in February when, as expected, the tribal assembly approved the partition. Spain's final words were that she had handed over the administration but 'not the sovereignty, because this belongs to the people'. Thereafter, their alliance ended, Spain and Morocco began to blame each other for the continuing difficulties. King Hassan now hoped the affair would be forgotten, saying 'the file has been re-classified.'

The 'free' Saharauis had countered the assembly's vote by announcing the birth of the 'Democratic Arab Republic of the Sahara', with Polisario referred to as the 'Saharan People's Liberation Army'. In February, Algeria obtained a recommendation from the OAU Liberation Committee at Maputo that Polisario should be recognized. At the March meeting of the OAU foreign ministers at Addis Ababa, Morocco and Mauritania threatened to leave the OAU if this were endorsed. Although Polisario got only 21 votes out of 47, with nine against and 17 abstentions—a majority of those eligible was needed—the OAU ministers noted that the Saharauis had expressed their wishes by forming the new republic, leaving it to each member state to decide whether to accept them. The Arab League, about then abandoning an attempt at mediation, was

expected to take much the same line. Morocco and Mauritania broke off diplomatic relations with Algeria, as a warning to any other country intending to recognize the new nation.

Military tactics announced by the Saharauis centre on lightning motorized attack across the border. The opposition's long vulnerable supply lines make control of the interior difficult, as the Spanish found during their 90 years there. The loss of their fixed bases and the transfer of all except the Guelta Zemmour refugees to Algeria has increased Polisario's mobility. The summer heat is expected to help them. But all depends on Algeria's support. Boumedienne would not welcome a full war, for his country is in debt, imports food for a growing population and must avoid industrial disruption. Hassan, however, would not be restrained by Morocco's similar position. For her part, Soviet Russia was trying to adopt a neutral stand in order to remain generally acceptable in the Arab world, cautioning Algeria in March not to pass her military aid on to the Saharauis; however, Cuba seems likely to be used as a channel instead, to judge by Castro's subsequent declaration of support.

If Boumedienne were to withdraw now, allowing Hassan to enjoy possession of the desert, he might well be advancing the date of the king's next diversionary campaign. The Moroccan *L'Opinion* recently carried a cartoon showing two *babouches*: one, being slipped on, was marked 'Sahara', the other was labelled 'Tindouf-Tuat-Knadsa-Sahara', a reminder of the 'Greater Morocco' claim. In fact, with Moroccan forces still in Mauritania, Daddah may already be regretting his meal at King Hassan's table. He could also find his northern tribesmen in an alliance with the related Saharauis against his government in the south.*

At present, then, the new republic has only the choice between fighting and disappearance, presumably with the integration of its refugees into Algeria. The Saharauis' chief hopes lie in the always pending *coup d'état* by the Moroccan Army, a civil war in Mauritania, or the possibility of a favourable outcome to a generalized conflict arising from Hassan's pursuit of his ambitions beyond the Western Sahara. Otherwise, they encourage themselves by recalling that, though Morocco has often invaded the desert in the past, she has never been able to control it for long.

* In fact, on 16 April 1976 Moroccan troops stationed at Dakhla apparently attacked Mauritanian soldiers opposed to fighting Polisario, with several deaths on each side.

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SUMARIO

Note of the month

STALEMATE IN ITALY'S ELECTION

NOT since 1948 had an Italian general election aroused so much questioning and speculation both at home and abroad. In the United States Dr Kissinger, in Rome the Vatican hierarchy uttered warnings of dire consequences should the Communists make sufficient gains to enter the Government. As election day, 20 June, approached, foreign correspondents poured into Rome. Italy, normally an unobtrusive member of Nato and EEC, became the subject of countless articles and broadcasts analysing in detail the latest pronouncements of the Communist Party leader, Enrico Berlinguer.

And now, after all the drama—stalemate. The Communists did indeed make considerable gains: 7 per cent upon their vote in the 1972 general election, giving them over 34 per cent of the total and 228 seats in the Chamber of Deputies as compared with 179 in the outgoing Parliament. But the Christian Democrats, despite their waning appeal after 30 years of predominance, their recent rebuffs—in 1974 over the divorce law and in the regional elections of 1975 when the Communists made a spectacular advance—and their mounting record of inefficiency and accusations of corruption, nevertheless managed to return the same 38·7 per cent of the total vote that they secured in 1972, and even made up some of the ground lost in the regional elections last year. Only, the gap between them and their Communist rivals has narrowed to between 4 and 5 per cent. Moreover, while achieving this feat of staying where they were, they have seen their former allies seriously weakened. Their own relative success must be accounted for in part by the normally unwelcome accretion to them of votes from the neo-Fascist MSI, which itself fell from 8·7 to 6·1 per cent of the total. But, more seriously, big losses were sustained by two of the lay parties, the Social Democrats and the Liberals, which at different times in the past have formed coalitions with the Christian Democrats—though the valiant little Republican Party did improve its position. Lastly, the Socialist Party, too, lost the 2 per cent it had gained last year and, with under 10 per cent of the total vote, is now back to its 1972 position.

The Socialists had virtually provoked this election by their withdrawal of support from the Government last January in pique at, so they alleged, having been insufficiently consulted about the conduct of economic

affairs. Since then they had blown hot and cold to both the major parties, pronouncing the Centre–Left coalitions of the past 10 years to be dead, yet unwilling to commit themselves totally to a closer alliance with the Communists—who, for their part, showed no great enthusiasm for any such popular-front type of association. But until now the Socialists had seen themselves, and had often been regarded, as the decisive balancing factor between the two much larger parties. In the changed circumstances of the new Parliament, it is difficult to see how they can fill that role.

Signor Berlinguer himself has been consistent throughout in aiming, not at a Popular Front, but at his much more ambitious project of a 'historic compromise' with the Christian Democrats. Such a compromise, if it were to be effective, would depend to a great extent on radical changes in the thinking, attitude and leadership of the Christian Democrat party. The new party secretary, Benigno Zaccagnini, appointed last summer following the demotion of Signor Fanfani after the regional elections, had been striving towards such a 'renovation' of his party. But unfortunately he fell ill during the election campaign, which in its latter stages for the Christian Democrats took on the strongly anti-Communist tinge imparted to it by Signor Fanfani—who will now claim success for his line.

Neither of the major parties wanted these elections now—Parliament had in fact another year to run, and this would have given time for both Christian Democrats and Communists to show how genuine were their intentions of, respectively, 'renovation' and 'moderation'. Now the accentuated polarization of the country between the two main parties will inevitably make the formation of a government a long and difficult business, at a time when the country's parlous economic situation* can ill afford it.

MURIEL GRINDROD

* See John Earle, 'The Italian economy: a diagnosis', *The World Today*, June 1976. [In this article, on page 215, the date in the last line should read '20 June'; on page 217, line 18, 'Findisder' should read 'Finsider'.]

Future political patterns in the Middle East

IAN SMART

THE impact of events in and since October 1973 upon politics within the individual oil-exporting states of the Middle East may have been less urgent than their impact on politics in the oil-importing world, but it is unlikely, in the final analysis, to be less traumatic. Within a few months, a group of countries with enormous territory but, in the aggregate, a comparatively tiny population has been catapulted into a new economic era. Even for those like Iraq or Iran, whose populations are relatively large and whose external balances of payments may soon be in deficit, accumulated surpluses and confident expectations of future income mean that, for the moment at least, the traditional constraint upon economic development imposed by the availability of investment capital has ceased to dominate planning. With the contraction of world demand for oil since 1973, some must resort again to borrowing (in which activity the problem of collateral security is unlikely to be serious), and some will have to trim or defer particular development projects. The fact remains that, for all practical purposes, their current ability to buy the essentials of economic development, if not all the luxuries, is effectively unconstrained. During the period 1974–6, as an indication, the member states of OPEC, having paid for their enormously increased imports, will have accumulated a surplus income from oil sales of some $146 billion.[1] Obviously, that surplus is distributed very unevenly; both Algeria and Ecuador, for example, are expected to spend more on imports in 1976 than they earn from oil. Nevertheless, it is clear that, for most oil exporters, especially in the Gulf, a substantial financial reserve has already been built up, which can be drawn upon to support their continued development in the future even if, for some reason, their current earning power should diminish.

That is not to say that no serious obstacles will stand in the way of the

[1] Billion = thousand million.

The author is Deputy Director and Director of Studies at Chatham House. This article is extracted from a paper originally prepared for presentation in December 1975 to the third meeting of the North American Study Group on the Middle East and the crisis in relations among the industrial states, a project that has been sponsored by the Middle East Institute of Columbia University (New York City), the World Peace Foundation (Boston), the Atlantic Institute for International Affairs (Paris), and the Asia–Pacific Association of Japan (Tokyo). It will appear in a book entitled *Oil, the Arab–Israel Dispute, and the Industrial World: Horizons of Crisis* (Boulder, Colorado: The Westview Press, July 1976), copyright 1976 by J. C. Hurewitz. It is published simultaneously in German in *Europa-Archiv*, Verlag für Internationale Politik GmbH, Bonn.

economic development of Middle Eastern oil-exporting states. There will be large obstacles in the shape of deficiencies of human and inanimate infrastructure: the shortcomings of administration, the lack of manpower, and especially skilled manpower, or the absence of adequate fixed assets such as port or overland transport facilities. In almost all cases, it will take many years to overcome those obstacles. At least for the remainder of the 1970s, however, delay will not be caused by lack of money.

It is easy to be over-persuaded by those who advertise limitations upon the shorter-term ability of oil-exporters to absorb their current incomes domestically, or who argue that the full domestic effect of OPEC members' apparent increase in earning power will await a transfer to them of 'real' wealth from the industrial nations in the 1980s. In the first place, as we have now seen, the ability of the OPEC countries to expand their imports of goods and services is considerably greater than was initially expected; the collective OPEC import bill reached $36·3 billion in 1974, climbed again to $56·1 billion in 1975 and is expected to exceed $65 billion in 1976. In the second place, the difficulty some oil exporters face in converting all new foreign-exchange earnings instantly into productive investment has, if anything, encouraged the direct import of consumer goods, including consumer luxuries, which themselves have a more immediate, if superficial, impact on the life-style of the countries concerned. In the third place, either the expectation of imminent prosperity or the frustration associated with its delay may have as powerful a political effect as prosperity itself (as British politics in anticipation of North Sea earnings amply illustrate). Conversely, it may also be dangerously easy to assume that, whatever their shorter-term difficulties, all OPEC states face an indefinitely golden future in the 1980s and 1990s. The intrinsic assets of the individual countries are very different; some, such as Algeria and even Iran, have only limited reserves of oil, and must expect to see their production declining by the mid-1980s. In addition, all must suffer from the sharp rise in the cost of their manufactured imports, which is partly provoked by the increases in the price of their own oil and which, whatever effect it has on future oil prices, seems likely to erode the value of their accumulated financial reserves. Finally, all, in the long term, must face the challenge presented by the substitution of other energy sources for oil, again encouraged by higher oil prices. Ultimately, that last point may be crucial. It is not, in fact, impossible that some OPEC countries, over a term of, say, twenty years, will have to endure a double trauma: the traumatic experience of sudden affluence, followed by the even more traumatic experience of having to curtail their economic growth sharply as their oil earnings, in real terms, decline. However, that, if it occurs, is for the much longer term. There is no chance whatever that the world demand for OPEC oil will collapse within the next five—or even the next ten—years. Indeed, in the immedi-

ite future, a strengthening of demand is much more likely, as the ndustrial world climbs out of its recession. Thus the overwhelming probability is that OPEC oil exporters will be earning a very great deal of noney over the next five years, spending a much higher proportion of it han most people thought possible, and looking forward with whetted ippetites to both earning and spending even more in the future. It is by 10 means too early, therefore, to weigh the likely political effects of new wealth—both actual and prospective—upon their domestic politics, and ipon the domestic politics of the Middle Eastern oil producers in paricular.

Political effects of new wealth

Three levels of effect can reasonably be distinguished. The first is that of effect upon the governmental, administrative and decision-making systems of the countries concerned. The second is that of effect upon the political process at large of greatly accelerated plans for economic devel-)pment. The third is that of the more diffuse effect of new wealth—or the confident anticipation of new wealth—upon political attitudes within the societies of those countries.

The first of these levels is easy, but dangerous, to overlook. New earning power imposes new demands upon governments, para-governnental organizations and private business. In all the countries to be con-idered, those demands are greatly reinforced, indeed multiplied, by inother factor coincidental with the achievement of new earning power: he assumption of far greater responsibility for the management of oil production itself. In this connexion, the course of events leading through stages of 'participation' to national control of oil production (and oil pricing) is at least as important as the sequence of events generated by the dramatic increase in the price of OPEC oil. In the face of these pressures, he governments involved have no choice but to become more complex ind more variously competent entities. In the great majority of cases Iran and Kuwait being partial exceptions), they face serious shortages of idequately trained administrative manpower. They must nevertheless issume the role which they have seized or had thrust upon them. In the process, they must undergo substantial change and substantial expansion. That process will inevitably offer more scope for political competition ind potentially more routes to political power, especially as it will comnonly entail some considerable diffusion of responsibility beyond the imits of the familial or inter-familial élites within which, in many counries, it has formerly been concentrated. At the same time, as the small supply of highly competent administrative manpower is spread more thinly over an expanding governmental machine, the bureaucratic efficiency of particular components of the machine will, in the short term, decline. There will become more apparent than ever a tension between

the expansive tendency of governmental institutions in the aggregate and the urge to centralize real administrative authority in the hands of the few persons whose loyalty is unquestioned and whose capabilities and status are outstanding. One result will be to impose an ever-growing personal strain upon members of that small group; the incidence of coronary failure may well become a political problem in its own right.

The second level—the effect of accelerating economic development on the political process at large—is more familiar ground to students of development. Few general comments are needed. There are, however, some points that demand emphasis. All the countries concerned will, for example, face a well-known need to strike some balance, on political as well as economic grounds, between the long-term gains to be expected from large-scale industrial development and the more immediately available benefits of developing social services and public utilities. But some countries will find that more difficult than others. A relatively small diversion of resources will provide a social welfare system in Kuwait, where the process is already well advanced, or in, say, Qatar or Abu Dhabi, where population is small and territory less than vast. A much larger diversion will be needed in countries like Saudi Arabia and Oman, because of territorial area, or Iran and Iraq, because of population size. Unless some overall consistency is maintained in this context, however, the failure of some governments to keep up with others in the provision of social services may become a political issue. Countries will also differ widely in their need to import labour for development purposes. All will have to import highly skilled technicians and managers—even if Iran and, possibly, Iraq will be less subject than others to that pressure. Many, including Saudi Arabia, Qatar, Oman and members of the UAE, will also have to import more or less large quantities of unskilled or semi-skilled labour. The potential domestic political significance of such imports needs no elaboration. The point is that, in all the oil-producing states of the area, foreign presence, in one form or another, is likely to become paradoxically more, rather than less, obtrusive as an indirect result of the elimination of foreign control over the oil industry.

Élite attitudes

A more general point is relevant to this second level of effect. The process of development—and especially of longer-term industrial development—entails the reinforcement and proliferation of vested interests in the maintenance of the process itself. The number of groups and individuals directly or indirectly in debt to the development process will steadily increase—as will the opportunity for influence or profit to which individuals or groups may aspire. On the one hand, the development process constitutes a new and rich field for competition, between both 'insiders' and 'outsiders'. On the other hand, it creates a new level of long-term

interest in stability among those who have obtained a stake in the process itself. The two are inevitably countervailing. My own view, for what it is worth, is that, in most of the countries here considered, the interest in stability will come to be of prevailing importance for the governments and for political and social élites. I suspect that the much-advertised 'conservatism' of régimes in such countries as Saudi Arabia or Oman has often been misinterpreted. It has not, on the whole, been conservatism as we know it in the West, where conservatism derives from a desire to maintain the existing distribution of immovable property, but rather a conservatism which reflects a desire to preserve the political power of particular groups but has been combined with considerable flexibility in regard to both property and policy. In part, this may have been because so much of the property adjoined to power in the 'desert' Arab states was itself, in the past, movable and personal, so that it could readily be abandoned or exchanged. This will now, however, change rapidly as a function of economic development. Property and power will come to be linked in new ways for the régimes concerned, and both will become largely dependent upon the continued implementation of long-term plans. I suspect the result in all these countries, not excluding Iraq or Kuwait, will be a new form of 'conservatism' and that the set of values which that implies will divorce members of élites from some of their traditional social values while attaching them more firmly to the maintenance of the political *status quo*.

Even if the ruling élites in these states do, in fact, obtain a stronger general interest in the maintenance of the existing political system through the continuation of the economic development process to which it is linked, that does not, of course, mean that élites will always be united by recognition of that common interest. There will remain ample scope for disagreement, and even conflict, between 'insiders': over the exact distribution of authority, over the detailed design or implementation of policy, or over the pace at which a generally agreed policy is to be pursued. Even within the most homogeneous groups—the Saudi royal family for example—it is entirely possible that there will be disagreement between generationally divided factions: between an older generation, almost exclusively educated at home and strongly attached to a traditional rhythm of change, and a younger generation, largely educated abroad and probably more impatient. More generally, the very fact that there will be a rapid growth in the size and variety of the élite groups which share responsibility and power means that the scope for dissent among 'insiders' must also increase. Nor will that scope remain limited indefinitely to the bounds of the public sector. Although the development of a private entrepreneurial class is still, in most of these states (other than Iran and Kuwait), at an early stage, the process, even in Saudi Arabia, is already in train. One result will be the progressive emergence

of new groups outside government but competing eagerly and with increasing effect for a share of power to match their share of property. Even then, however, I would expect my general projection of a new 'conservatism' among élite groups to hold good. The competition, in fact, will not be to destroy or change the system but to join it.

The third level of effect, involving the diffuse impact of new wealth upon political attitudes, is obviously touched by that last remark. That is only, however, a small part of the story. The larger part is again, in a sense, familiar. Rapid development will involve the rapid expansion of higher and technical education in the countries affected; both industry and government will need their graduates, their accountants, their engineers to cope with development demands. Simultaneously, a major social and political revolution will be taking place as large numbers of women, especially in Saudi Arabia, are emancipated and trained in skills formerly reserved to the male sex. At the same time, the aggregate of wealth both fuelling and arising from development will increase sharply. So will familiarity with the rewards that such wealth can obtain—in terms of both power and property. However, there is no chance that the diffusion of new wealth through the whole of society will proceed at the same pace. Nor is there any chance of real power being diffused so swiftly; indeed, as I have remarked, the need for rapid decisions by a small number of people may actually provoke a re-centralization of authority. We shall thus see the familiar picture of the economic differential within societies widening as the corporate wealth of those societies grows. Meanwhile, more and more members of the societies, women as well as men, will be acquiring new qualifications and skills and witnessing from a distance the fruits of a prosperity to which those qualifications seem to entitle them but from which the 'system' seems to be separating them yet further. Simultaneously, the élite groups which run 'the system' will be acquiring a stronger interest in the maintenance of the political *status quo*. If the picture seems over-familiar, even hackneyed, I make no apology.

Psychological factors

Into this soup of general effects, there must now be injected the factor of specific psychology. If I refer to an 'Arab' psychology, it is neither because I am insensitive to the frailty of such generalization nor because I have any claim to special knowledge. There are, however, certain attitudes arguably characteristic of Arab—and especially Arabian—society which seem relevant. One characteristic attitude is a high regard for intellectual achievements and literacy or legal learning, exceeding any regard for manipulative or supervisory skills. It will be surprising if this does not affect the bias of aspiration in the field of higher education: by making it much easier to find ready candidates for training as doctors,

lawyers, economic analysts and scientists than to find that larger number who must emerge as foremen, shop floor managers or skilled technicians. Another characteristic attitude is pride in individualism. Not only does this make it difficult to attain effective co-ordination of effort in a collective cause; it also implies a preference for achievement in the private, rather than the public, sector (the current predominance of the public sector notwithstanding). In a country such as Saudi Arabia, one problem already appears to be that a high proportion of younger men who have been trained at the state's expense, largely abroad, in administrative and analytical skills prefer to devote those skills to private enterprise rather than governmental service. A third characteristic attitude, closely associated with that of individualism, is the inclination to measure success in terms of personal authority rather than participation in a collective authority, and, as a result, to perceive personal ambition as something to be pursued through the acquisition of rights including a right to command, rather than through labour. It has sometimes been common to speak of the 'Puritanism' of the Bedu. In any sense other than that of a religious or moral fervour, nothing could be more misleading. If some paradigm must be found in English history, it should perhaps be not the Roundhead but the Cavalier: individually, more than corporately, proud, tightly bound by rules of cultural convention, preferring intellectual prowess and artistic sophistication to the joys of productive labour in the common cause, persuaded of a rightful hierarchy but extraordinarily mobile in social relationships, aspiring to command but not to belong.

Although the countries and societies under examination are, in many respects, extraordinarily varied, some generalizations may still be useful. I do, for example, believe that, while the intractable individualism of Arab—and, indeed, Iranian—society will always leave open the possibility of an extraordinary figure such as Qaddafi seizing control, the general tendency among régimes and élites in the oil-exporting countries of the Middle East, as they become more deeply implicated in long-term economic development, will be towards a new conservatism founded in a widening consensus in favour of the political *status quo*. I also believe there will be a general tendency for the gaps between rich and poor and between powerful and powerless to widen, just as the stakes in the competition which that implies will increase . . . Finally, I believe that the inevitable expansion and elaboration of decision-making structures in these countries will multiply the apparent routes to personal authority and greatly extend the field for personal and inter-group competition for political power.

The implication of this general vision is reasonably obvious. I think it likely, in fact, that the next decade will witness a considerable increase in domestic ferment and civil disquiet within many of the countries I have mentioned. It will, moreover, be a rather different sort of ferment from that which many Middle Eastern states have experienced in the recent

past. Most of the successful and unsuccessful revolutions and coups in the area since the 1940s have reflected efforts to make some more or less radical change in the character of the national political system (and/or international political alignments) rather than a competition over who will control the existing system. In the future, however, it is the latter type of competition that seems likely to become of dominant importance. The concern of those who will promote civil dissent—sometimes, I suspect, by violent means—will be the control, rather than the radical re-distribution, of the national cake. To put it crudely, in fact, the Middle East may turn out to be importing not only a new version of capitalist conservatism from the industrial West but also a new version of domestic unrest from Latin America.

Such phenomena will clearly take on a different guise in different countries, if only because the various pressures I have described will bear differently upon them. In the thinly populated states of the Arabian peninsula and the lower Gulf, I would expect the agonizing choice between accepting manpower shortage as a decisive constraint on economic development and inviting a possibly uncontrollable increase in immigration to be particularly disruptive, just as I would expect a growing danger of 'palace revolutions', ostensibly over policy, but actually over the control of the existing system. In the more thickly populated Arab oil-producing states of the area (Iraq and probably Kuwait), I would expect the more serious danger to lie in the obtrusiveness of economic differentials and the over-elaboration of decision-making structures, leading to a much higher risk than elsewhere of broadly based social and political dissent. (Outside the Gulf, the case of Libya may resemble the former model, while that of Algeria may resemble the latter.) As to Iran, the pattern may recall that of the more thickly populated Arab states, but there may be more resilience in the face of such pressures simply because of the longer Iranian experience of ambitious development plans. Against this, Iran, over the next decade, may be more exposed than any of the Arab oil producers (except possibly Iraq) to the activity of radical groups frustrated by the increasingly strong orientation of the existing régime towards maintenance of the political *status quo* and disappointed by the probable curtailment of excessively ambitious development plans.

I do not mean to paint too black a picture. I see no reason why the pressure of domestic ferment should not be contained—and, in the longer term, dissipated—in most of the countries concerned. Meanwhile, I expect some reduction in the level of international conflict in the region. The fact remains that I foresee a decade of rising domestic turbulence within many of these countries, just as I expect an increasing conservatism in the formal domestic and external policies of their governments.

Iran and the Europe of the Nine: a relationship of growing interdependence

KARL KAISER

IRAN is one of those states which were most obviously affected by the October War of 1973 and the following oil crisis. Within a very short period of time the country acquired additional economic resources and power, thus putting the possibilities for realizing its ambitious development and foreign policy goals into a new perspective. Conversely, Iran's importance for the outside world also changed, especially for Western Europe, which tried to draw appropriate conclusions from its dependence on oil imports and asked itself what importance should be attached to Iran whose non-participation in the boycott of the Arab oil producers had been registered with great attention.

Yet after a period of high expectations on both sides and of ambitious goals and projects in foreign and economic policy, a more sober attitude has taken hold. On the Persian side, the limits to the far-reaching plans for development and increased armament soon become evident. The world-wide recession reduced the income expected from oil exports; despite great successes in industrialization this policy was increasingly obstructed by pre-existing barriers, above all by Iran's infrastructure. On the European side, too, by the end of 1975 a different and more sober view of the development possibilities had replaced the earlier hectic efforts to initiate gigantic joint projects. To be sure, this new view still premised the necessity of expanding economic relations between Iran and Western Europe; by this time, however, it was based on a better awareness on both sides of the existing capabilities and potential problems. The perspective we have gained vis-à-vis the unsettling events of 1973 and 1974 today makes possible a more realistic assessment of the underlying trends and forces in the European-Iranian relationship, of the existing constellation of interests and of its future problems.

The EEC's Mediterranean policy

The European Community has become Iran's most important trade partner. In 1973/4 Iran delivered 33·3 per cent of her exports to the Community while 43·5 per cent of her imports came from the Com-

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munity. Thus, the increasing relations of the Community with the Mediterranean countries will become a problem for Iranian trade policy to the extent to which they take on substance as the Community's 'Mediterranean policy'.

As is well known, the EEC's 'Mediterranean policy' developed in stages.[1] In the 1960s the Community attempted in a pragmatic way to expand relations with a number of the Mediterranean states with which it had special ties as a result of history, colonial past and economic relations. The treaties of association with Greece (1962) and Turkey (1964), the first successful steps in this endeavour, were followed after extended negotiations by the treaties of association with Morocco and Tunisia in 1969. Due to the competition arising with products from Israel and Spain, these settlements made it necessary to establish trade agreements with both these countries. The political situation in the Middle East in turn necessitated taking into account the interests of other Arab countries, in particular Egypt and Lebanon. Free trade zone agreements with Malta and Cyprus complemented the Mediterranean policy.

The first agreements were not based on any premeditated and encompassing concept of a long-term Mediterranean policy. This changed only later when, in 1972, attempts to work out an 'overall concept' for the Community's Mediterranean policy resulted in proposals by the Commission to negotiate a common agreement with all states bordering on the Mediterranean (including Jordan and Portugal) which contained the following measures: a complete opening of the European Community to industrial products; considerable concessions in the agricultural field; and broadly based economic co-operation which was to be supplemented in certain cases by the granting of special financial conditions. After concluding a further treaty with Yugoslavia, negotiations were opened with Jordan and Syria.

The Mediterranean policy poses a problem for Iran since it grants privileged access to the largest import market in the world to an entire region which is Iran's immediate neighbour and competes with her products. In this connexion the probable future trade is certainly more important than the present trade structure, since at the moment traditional products (such as rugs and other hand-crafted wares) as well as agricultural products (e.g. raisins) still play a relatively important role amongst Iran's non-oil exports. Her long-term development plans presuppose increasing exports of semi-finished goods and industrial products, which would make future access to the Community market very

[1] See Wolfgang Hager, 'The Community and the Mediterranean', in *A Nation Writ Large*, edited by Max Kohnstamm and Wolfgang Hager (London: Macmillan, 1973); also Horst Günter Krenzler, 'Die Beziehungen der EWG zu den Mittelmeerländern', *Europa-Archiv* 4/1971; Avi Shlaim, 'The Community and the Mediterranean Basin', in *Europe and the World; the External Relations of the Common Market*, edited by Kenneth J. Twitchett (London: Europa, 1976).

important. It is therefore understandable that Iran has been pressing for some time for privileged access to the Community market through a comprehensive treaty. In particular, Algeria's ambitious plans for industrialization and her great development potential could well become a problem for Iran's future trade with the Community in the industrial sector if Algeria enjoys better treatment.

Of equal importance, however, is the Community's offer of a broadly based economic co-operation with the Mediterranean states including the granting of special financial conditions. This policy represents the first step towards closer and lasting economic ties between the Mediterranean states and a prosperous Northern Europe, which could become a problem for Iran if these ties hinder her own possibilities for development. The Community's policy of co-operation, however, takes on particular importance when seen in the wider context of the Euro-Arab dialogue which was set in motion as a consequence of the oil crisis.

The Nine and their Middle East policy

The war in the Middle East and the ensuing developments in the oil and raw material sector have also decisively changed the relationship of the West European states to the Middle East.[2] Europe's dependence on Middle East oil, and the widespread awareness that another war between Israelis and Arabs could have even graver consequences for Western Europe, the Western Alliance and world peace than the October War, have led the EEC member countries to attempt to rethink and redefine their relationship with the Arab states in the so-called Euro-Arab dialogue, while at the same time securing Israel's right to existence.[3] Building upon the Middle East declaration of the Nine of 6 November 1973, they have examined in a series of meetings with representatives of the Arab states the Euro-Arab relationship and its future potential for development.

At the core of this dialogue is the promotion of economic co-operation, the development of new industries in Arab countries, the creation of sales outlets in Europe, the expansion of agriculture and the guarantee of oil supply to Europe. But the ongoing consultations (conducted since May 1976 at the ambassadorial level) show that the range of topics transcends the economic sphere and also includes the political dimension of the Arab-Israeli conflict.

Thus the Euro-Arab dialogue supports the efforts of the Community's Mediterranean policy to establish close economic ties between Northern Europe and the southern periphery, if not, indeed, a new enlarged

[2] See Karl Kaiser, *The Energy Problems and Alliance Systems: Europe*, Adelphi Papers, No. 115 (London: International Institute for Strategic Studies, 1975).

[3] See Günther van Well, 'Die Entwicklung einer gemeinsamen Nahost-Politik der Neun', *Europa-Archiv* 4/1976; also Wolfgang Hager (ed.), *Erdöl und internationale Politik* (Munich: Piper, 1975).

economic zone. Europe's dependence on oil from this region, along with Northern Europe's industrial and technological possibilities as well as the size of its own market, create the prerequisites for an economic relationship with great potential for expansion. Such developments by necessity directly affect Iran's interests since, as an oil producer and future exporter of semi-finished and finished products, she must expand her relations with the Nine. But beyond the mere economic dimension, the weight of the Europe of the Nine should increase in the long run—although one can be reasonably sure that the United States will remain the decisive world power in the Middle East, with the Soviet Union in an important but none the less secondary role.[4] The majority of Arab states have a certain interest that the European Community should play a greater political role in this region and, if necessary, support the world powers in mediating the conflict and in guaranteeing settlements.

If signs point to the Community's increased political involvement in the long term, then Iran, as one of the most important powers in this region, must ask herself what conclusions must be drawn from such a development. Whatever its substance may look like in detail, it would clearly force Iran to concede to the Nine a far more important position in her long-term foreign and security policy conceptions than is apparently the case at the moment, when the Community is seen almost exclusively from an economic point of view.

The same conclusion, in reverse, is valid for the Nine. They have recognized in the meantime that Iran, as a main oil producer of the region and as an economic partner of the Community, will be of great importance in the future. However, within the Community it is not yet adequately recognized that Iran, as one of the most important powers in this region, is becoming a partner of rising importance for Western Europe in terms of foreign and security policy.

The Western powers and Iranian security policy

After a long history—extending into the post-war period—of intervention by foreign powers, the main goal of Iran's foreign policy has been to develop a position of independence which enables her to exert a decisive influence in the surrounding region. The maintenance of independence is directed primarily against the Soviet Union which shares with Iran a 3,000 km border and is militarily far superior. In the post-war period Iran has pursued this end through a policy of leaning towards the West, in particular the United States, while at the same time maintaining enough distance to enable her to follow a policy of détente with the Soviet Union. Within the region, Iran pursues a foreign and security policy

[4] See William Griffith, 'Verändertes Gewicht der Weltmächte im Nahen Osten. Schwindender sowjetischer Einfluß kein Grund zu westlicher Selbstgefälligkeit', *Europa-Archiv*, 23/1975.

involving tremendous armament efforts with the objective of counteracting threats which she sees in revolutionary regimes. Thus, Iran actively supports the fight against insurgent forces in Dhofar. Moreover, Iran wants to keep the Persian Gulf free from intervention by foreign powers and to lay the foundations for a stable security system in the area.[5]

However, Iran's conception of foreign and security policy is, to a high degree, regionally centred. A recent well thought of Iranian study of the country's foreign policy sees the framework of action for this policy solely in a regional context:[6] it treats only the two world powers, the US and USSR (with their respective involvement in this region), and the individual states and regional problems in the Middle East, namely Egypt, Iraq, the Persian Gulf and the states of the Arab Peninsula; Western Europe and Nato are not even mentioned. Moreover, in analysing the conceptions underlying Iranian foreign and security policy its classical orientation is striking: a policy conceived in terms of traditional categories of military policy and diplomacy. To be sure, this policy also views oil as an instrument of power, but only begins to take into consideration the dimensions of social policy and economics as preconditions of security, a perspective which increasingly permeates security thinking within the Western Alliance.

Nevertheless, the question arises whether despite its predominantly regional self-conception Iranian security policy does not have links or points in common with the security policy pursued in the interest of Western Europe. Iran shares Western Europe's attempt to pursue security policy vis-à-vis the Soviet Union in a double sense: through defence policy backed by effective and modern armed forces and through a policy of détente and accommodation supported by diplomatic and economic co-operation.

A strong self-confident European Community is just as much in Iran's interest as a successful Iranian policy of independence within her region is in the interest of Western Europe whose own position would be weakened if Iran fell into the Soviet sphere of influence. And, vice versa, they both have an interest in a continued détente between East and West which does not slide back into military conflict. Economic co-operation with the Soviet Union is of some importance for both; in fact the natural gas and pipeline agreement between Iran, the Soviet Union and several

[5] See Abbas Amirie (ed.), *The Persian Gulf and Indian Ocean in International Politics* (Tehran: Institute for International Political and Economic Studies, 1975); Shahram Chubin and Sepehr Zabih, *The Foreign Relations of Iran* (Berkeley: University of California Press, 1974); Udo Steinbach, *Grundlagen und Bestimmungsfaktoren der Außen- und Sicherheitspolitik Irans* (Ebenhausen: Stiftung Wissenschaft und Politik [SWP-S 239], July 1975); Ursula Braun, *Veränderungen im politischen System der Golfregion* (Ebenhausen: Stiftung Wissenschaft und Politik [SWP-AZ 2098], February 1976); also Ursula Braun, 'Iran als Führungsmacht im Mittleren Osten', *Europa-Archiv* 11/1974.

[6] Chubin and Zabih, *op. cit.*

West European states, for the first time established direct ties among them.

Moreover, the economic ties between Iran and the Community create relations with a security dimension in a broader sense. The supply of oil is of vital importance for Europe; the maintenance of its economic system depends upon it and hence its security as well. Consequently Iran is a potential partner in a double sense: as a supplier of this raw material and as a particularly important power in a region where oil is produced, thus contributing to ensure that the supply lines to Europe remain protected and open. Similarly, the Community is of great importance for Iran not only as a market for her oil but also as a supplier of new technologies and as a market for her future industrial products, and thus of significant importance for providing the economic basis for Iran's future foreign and security policy.

Oil and Iran's development plans

Iran has one of the most far-reaching development strategies amongst the oil-producing countries. As Mohsen A. Fardi has described in detail,[7] Iran plans to reach a per capita GNP in the course of the next ten years comparable to West European dimensions on the basis of her rising income from oil (and in part from natural gas). The Shah recently stated that his objective was to follow the West German model.[8] This would mean that the per capita GNP of $1,344 in 1973 would have to rise to $5,600 in a decade, compared with $2,500 if Italy is the model.

The realization of these goals poses a number of problems which immediately touch upon the Euro-Iranian relationship. In order to reach the Italian standard by 1984 imports of $32 billion[9] yearly would be necessary, in case of the German model $72 billion yearly (to give a comparison: the imports of the Federal Republic amounted to $37 billion in 1974). If these imports are to be financed, a tremendous rise in exports combined with high rates of growth in industrial production would be necessary. Yet here lies the crux of the problem. During the Iranian 1975/6 year, the country's income from oil amounted to $17·9 billion.[10] As a consequence of the drop in production caused by the recession and of the unexpectedly low price increases, this figure already falls $3 billion short of earlier projections, thus forcing Iran to borrow on the international capital market. The assumption on which Iran's

[7] See his 'Iran's International Economic Outlook' in *Iran: Past, Present and Future* (Aspen Institute, Persepolis Symposium) to be published by the Aspen Institute for Humanistic Studies, New York. A German version of this paper appears in *Europa-Archiv* 12/1976.

[8] Interview with Theo Sommer in *Die Zeit*, 3 October 1975.

[9] Billion = thousand million.

[10] *Frankfurter Allgemeine Zeitung*, 11 June 1976. According to an apparently too high estimate of the *Financial Times* of 19 April 1976, the total exports of Iran are said to be $21·7 billion for the calendar year 1976, the non-oil part being $0·7 billion.

plans are based—that exports of oil and oil-based products could rise considerably through the build-up of an oil-processing industry in order to finance the imports—is likely to run into greater difficulties than at first expected. This has not only been demonstrated by the problems which arose when attempts were made to construct such a capacity on Iranian soil. The difficulties are also the result of the insufficient capacity of the market in the industrialized countries to absorb such products. Their own underused oil-processing capacity would be able for years to take care of a rise in production. The alternative of selling these products in developing countries exists only in part since they do not have sufficient means to buy up such quantities.

The growth rates of industrial exports built into Iranian development plans also presuppose that the industrial world will be willing, through an increase of imports, to renounce growth in its own industrial production or to agree to transfer productive capacity to Iran at the cost of its rate of employment. Here lies the core of the problem involved in the increase of Iranian exports of oil and industrial products to the European Community. In view of the structural difficulties within the Community —the well-known problem of unemployment and the efforts to increase growth—a transfer of the added value from Europe to Iran is by no means merely a question of Europe's exchanging a share of its industrial capacity for a partial guarantee of supply in the oil sector. Given the inevitable sacrifices—in terms of jobs, social policy, etc.—the transfer of production or the renunciation of production growth (which, by the way, are also demanded by the Third World and the Communist countries) presuppose a high degree of mutual understanding of the political systems involved. However, this understanding does not appear to be possible without well functioning co-operation at various levels and an awareness of a common interest shared by the decision-making elites and the population.

Iran and the European Community

The trends in the fields analysed above point in the same direction: the long-term interests of both the European Community and Iran suggest an intensification of relations and a reappraisal and expansion of the necessary political, economic and institutional prerequisites. Iran's contribution to Europe's economic security and to a stable peace settlement in the Middle East and hence to a maintenance of Europe's own security is indispensable for Europe. Iran's security interests in turn call for co-operation with a strong and, it is hoped, unified Europe, just as the long-term guarantee of an Iranian development strategy built on industrial exports presupposes close economic relations with the EEC.

The 1963 trade agreement between the EEC and Iran, which abolished the common external tariff for some traditional and agricultural products, had long ceased to correspond to the new state of affairs and was therefore

not renewed. Iran and the Commission of the European Community have been negotiating since the early 1970s over a new and more comprehensive agreement. Iran would like duty-free access to the Common Market to be granted for her products, although at the moment no acute trade problems exist. What matters now is to create possibilities within the European Community for marketing the products of Iranian industry to be built up over the coming years. In contacts with the Commission Iranian negotiators have been particularly interested in removing the discrimination against Iran as compared with her trade competitors who enjoy preferential treatment.

Certain products of special importance for the future of Iranian development are, however, in part 'sensitive' goods for the Community: refined oil products, woven products and shoes, iron and steel, aluminium, copper, electric and electronic products, carpets. Iran regards it as crucial to the development of these industries and the necessary investment decisions that certain guarantees for future market openings within the Community be created.

After various negotiations with the Iranian side, the Commission has submitted suggestions to the Council of Ministers for a resolution of the Council to open negotiations towards an agreement. The Commission concluded that an agreement should be drafted which does justice to the existing economic ties between the two sides and which creates a wide spectrum of possibilities for expansion in the coming years. At the same time a framework is to be created which can be developed in a pragmatic manner corresponding to the complementary character and the interdependence of the economies involved. According to the thinking within the Commission, an agreement should be comprehensive, yet at the same time not include any preferential access. Since the real problems will arise only in the future when Iranian industrial exports increase, it would be more opportune, according to the Commission, to create a mixed committee from both sides which can work out suitable ad hoc solutions

The reasons for the Community's interest in a solution, implemented inter alia through the mutual granting of most-favoured-nation treatment, lie in particular in guaranteeing the supply of oil, natural gas and semi-finished products for its own production. Iran's main interest lies, as already mentioned, in the question of free access for her future industrial products. Both parties have an interest in establishing joint ventures.

Whether or not Iran will accept the refusal of duty-free access for her industrial products and hence the denial of equal status with the partners of the Community's Mediterranean policy—in particular Algeria—must be left to future negotiations. For the moment, at any rate, this denial does not pose any practical problems for Iran. Moreover, for a number of years the European Community would be able to solve the matter to the satisfaction of both parties through product-specific approaches. The

obvious dilemma for the Community is that somewhere a line has to be drawn in granting preferential treatment to outsiders. While the states bordering the Mediterranean are to be granted free access for their industrial products and a special treatment for their agricultural exports, this treatment was denied the partners of the Euro-Arab dialogue outside this region. They do, however, qualify—as does Iran—for the special treatment within the framework of the 'general preference' system for developing countries granted by all industrial states (excluding, however, petrol products).

In the last analysis, a satisfactory solution to this problem depends upon the ability of both sides to take the interests of the respective partner into consideration. Should the Community be able to offer Iran product-specific sales outlets in Europe in exchange for a guarantee of oil and natural gas supplies, and at the same time provide for European participation in joint ventures, then the problems which are bound to arise appear solvable.

Although forces working towards an intensification of relations between Iran and the European Community are active on both sides, problems and conflicts will by no means be completely avoidable. As indicated, it will not always be easy to reconcile the Iranian desire for sales outlets in the European market and the Europeans' desire to secure their supply. In this respect the creation of a general atmosphere of constructive co-operation will be of great importance. Non-economic factors will also play a role. Although in Western Europe there is a decreasing tendency to measure the domestic political situation in Iran in terms of West European parliamentary democracy, considering the special conditions of a developing country and the high degree of illiteracy, Iran's internal evolution nevertheless influences public opinion in Europe. A slow-down in the social evolution and reform set in motion by the Shah, a blocking of gradual political liberalization or, indeed, a regression into substantial repression would most certainly disturb the development of economic and political co-operation with Europe.

For Europe, as for the West as a whole, the continuity of Iranian foreign policy is an important factor for the political developments in the Middle East and the position of the West. In this context the Western side doubtless has a definite interest in the stability and continuity of the regime as a whole as well as in its foreign policy—in conjunction with an evolution in the direction of internal liberalization. An aggressive Iranian foreign policy based on a growing military potential, because of its risk of spilling over to the outside world, would be viewed in the West with the same concern as a revolutionary upheaval within Iran, which would bring a regime to power in this region that could radically change the political constellation in the Middle East to the disadvantage of the West.

Europe and the Third World: the Nine at the United Nations

BEATE LINDEMANN

THE United Nations Organization is today the international forum where the industrialized nations and the developing countries confront each other in their entirety: here the West faces the united front of the Third World on all questions affecting their relations. For many years the industrialized countries refused to take the growing North–South conflict very seriously. But a dramatic change occurred with the energy crisis which the Arab oil-producing countries precipitated after the Yom Kippur war of October 1973. The industrialized nations now recognized the need to take into account the problems of North–South relations as a constant factor in the planning and execution of their foreign policy. The extent to which the Third World has in a relatively short space of time made the United Nations its tool was shown by the Sixth Special Session and the 29th General Assembly in 1974: despite Western opposition, the developing countries' economic and political demands prevailed, and they passed the 'Charter of economic rights and duties of states' as the basis of a new international economic order as well as the resolution granting the Palestine Liberation Organization observer status at the General Assembly.[1]

In this context, the foreign policy consultations of the nine members of the European Community at the UN have clearly been acquiring greater political significance in recent years.[2] While during the 1960s the Western nations concerted their policies exclusively within Nato and Western European Union, the new Third World topics are discussed in

[1] See Konrad Seitz, 'Die Dritte Welt als neuer Machtfaktor in der Weltpolitik', *Europa-Archiv* (EA) 7/1975, and 'Die Dominanz der Dritten Welt in den Vereinten Nationen', EA 12/1973; also Sidney D. Bailey, 'Some procedural problems in the UN General Assembly', *The World Today*, January 1975, and Christian Tomuschat, 'Die Generalversammlung der Vereinten Nationen im Spiegel der Praxis', *Vereinte Nationen* 2/1976.

[2] Niels Hansen, 'Die Europäische Politische Zusammenarbeit bei den Vereinten Nationen: Die Neun suchen in New York Profil', EA 15/1975; Peter Strafford, 'EC at UN', *European Community* (Washington) No. 192, January/February 1976.

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other forums. It was not until West Germany joined the United Nations on 18 September 1973 and all the Nine were represented there, that the UN became, along with the European Secruity Conference (CSCE), one of the most important areas for European Political Co-operation (EPC).[3]

EEC's enhanced political status

The situation at the United Nations, characterized on the one hand by the North–South confrontation and on the other by a declining US interest in the organization, faced the Nine with a growing political challenge. To the basic aim of European unity was thus added another objective for EPC: to bridge the conflict between the West and the Third World, and in the process to revive multilateral diplomacy and to strengthen the role of the EEC nations in the international political dialogue with the developing countries. The timing was particularly propitious: at the nadir of North–South relations during the 29th General Assembly, even the most important Third World countries had recognized that they could not achieve their demands without the help of the industrialized nations, and that, while the Soviet Union would continue to offer verbal support and vote with them, it was not prepared to offer material help. Furthermore, the US had retired into voluntary isolation except in the economic sector during the 30th General Assembly, and had thereby abandoned its role as leader of the Western countries in the dialogue with the Third World.

During the Seventh Special Session in 1975 on development and international economic co-operation, the United States, and especially Dr Kissinger with his speech on 1 September, had signalled a new start: for the first time in more than a decade, the US Government showed that it was prepared to consider the UN once again as an instrument of American foreign policy. For its part, the Third World expected something from the US and after the débâcle of the Sixth Special Session[4] was prepared to make some concessions to the West. Kissinger's policy was moderately successful: the American suggestions formed the basis for the negotiations in New York that September, and the willingness of both North and South to compromise made it possible to reach consensus on the final resolution.[5]

However, a few weeks later there was no discernible trace of the much-vaunted 'Spirit of the Seventh Special Session' and the mood had swung against the US. The marked decline in the prestige and negotiating position of the US during the 30th General Assembly can be attributed to the style and tactics of the US Ambassador to the UN at the time, Daniel

[3] See Otto Graf Schwerin, 'Die Solidarität der EG-Staaten in der KSZE', EA 14/1975.
[4] For text of documents see United Nations Press Release GA/5022, 2 May 1974 (New York).
[5] *ibid.* GA/5315, 16 September 1975 (New York).

Patrick Moynihan.[9] His indiscriminate, sometimes unjustified and often provocative attacks on the developing countries renewed their solidarity against the United States. Because the West European nations were often unable to identify with the American position, their policies appeared comparatively restrained in the eyes of many developing countries—a fact which suited the Europeans' purposes well.

The isolation of the United States, which even made regular consultation with the Western allies impossible, enhanced the political standing of the EEC nations. The Nine were faced not only with the substantial challenge inherent in this difficult situation but also with its psychological repercussions. This proved a spur to their co-operation: they were able to play a more important role than in the past on the international diplomatic stage and were approached as a group by representatives of other states, who would explain their attitudes to particular problems in order to gauge the reactions of the Europeans and, if possible, gain their support.

Thus there were separate meetings with the Israeli and Egyptian ambassadors on the Middle East problem, and with the Greek and Turkish ambassadors as well as spokesmen of the Turkish and Greek Cypriots on the Cyprus question. As representative of the presiding nation in the EEC at the time of the 30th General Assembly, the Italian ambassador frequently met the chairmen of regional groups in the UN for discussions before important votes. In the Second Committee on economic and financial questions particularly, the American representative, Ambassador Jacob Myerson, often informed his Italian colleague, as representative of the Nine, of the American position. That the Soviet Union, too, has realized that it cannot ignore the economic and political weight of the Nine was shown when the Soviet ambassador, Yakov Malik, called on the nine EEC ambassadors to the UN for the first time on 16 October 1975. He addressed them as 'the Mighty Nine', informed them about the Soviet initiative on disarmament and tried to get their agreement to it. This was all the more remarkable when one recalls that only two years earlier, when the joint EEC declaration on the Middle East was circulated for the first time on 6 November 1973 as an official document of the General Assembly and the Security Council, Mr Malik had asked 'Who are these Nine?'

Solidarity of the Nine

The united front of the Nine vis-à-vis the outside world was seen most clearly in the joint statements delivered by the representative of the EEC Presidency in the name of the nine member governments. Not only have these joint statements grown in number, they have also changed in

[9] Moynihan's view of the US role at the UN is analysed in his article 'The United States in Opposition', *Commentary*, March 1975. See also Beate Lindemann, 'Moynihan-misslungener Neubeginn', *Luzerner Neuste Nachrichten*, 7 February 1976.

character; unlike previous years, they were not introduced in the plenary session as voting statements on draft resolutions, but already at the committee level as contributions to the debate. Thus the Nine are able to express their attitude early enough to influence the formulation of the texts of resolutions, or at least the way other delegations vote.

During the 30th General Assembly the Italian Ambassador spoke on 30 occasions on behalf of the Nine, compared with 12 occasions during the 29th Assembly (1974) and only two occasions in the 28th (1973). The statement in the Seventh Special Session was so far unique: the Italian Ambassador agreed to the final resolution in the name of the Community and the nine Governments and then read out the reservations of individual EEC member countries on particular paragraphs of the resolution. Joint statements in debates on agenda items[7] as well as common voting statements[8] were made at various times in the last General Assembly, even when the Nine could not agree on a common voting position. This practice diminished the negative effect on third parties of conflicting votes by the Nine, and showed that there really was a common basic stance of European governments on the issues under consideration; in other words, there was an 'Agreed Diplomacy of the Nine' and only the final step, a No-vote or an abstention (otherwise known as a 'polite No'), demonstrated the slight differences that reflect the continuing lack of a joint European foreign policy.[9] The Nine were split on Yes/No votes only three times in the 30th General Assembly.[10] However, on two important votes, France, having originally been the only country to deviate from the Community line, later registered an abstention instead of a Yes-vote, doubtless on the recommendation of her UN delegation.[11] On the third occasion, France, West Germany and Britain voted 'No', making a common position impossible.[12]

The impression that the Nine form one group, especially on economic topics, has of course been heightened by the observer status which the EEC has enjoyed in the General Assembly and its seven committees since 11 October 1974. For instance, the EEC representative in the Second Committee (Economic and Financial) has occasionally taken the floor when the Commission's sphere of activity is involved. In the final stages

[7] On agenda items Middle East, Palestine, United Nations Relief and Works Agency for Palestine Refugees in the Near East (UNRWA).

[8] On both Palestine resolutions 3375 and 3376 (XXX).

[9] See also Otto v.d. Gablentz, 'Auf der Suche nach Europas Aussenpolitik', *Die Zeit*, 28 November 1975.

[10] On a total of 101 votes; 1974: 92 votes, 2 contrary votes; 1973: 77 votes, 5 contrary. Increasingly the trend is towards accepting resolutions on the basis of a consensus. The Western industrialized nations therefore only call for a vote when the consensus is so hedged about with reservations that it is farcical.

[11] GA Resolutions 3377 and 3378 (XXX)—Resolutions to combat racism and racial discrimination (in connexion with the 'Zionism Resolution' 3379 (XXX)).

[12] GA Resolution 3417 A (XXX)—Increase in the proportion of personnel from developing countries in the Secretariat.

of the specialized negotiations at the ad-hoc committee of the Seventh Special Session, the EEC delegation sent from Brussels negotiated on behalf of the Nine, and only the official statements were made by the Italian UN representative in the name of the EEC and the nine Governments.

Finally, there were daily informal consultations of the nine delegations, sometimes held in the conference rooms,[13] which showed the serious efforts being made to co-ordinate their positions on every topic. These efforts left an impression on the other 135 members of the UN, the more so because some of the Nine carry considerable economic and political weight in the organization, while two of them, France and Britain, have an additional special status via their membership of the Security Council.

Voting patterns: unity and its limits

Recognition of the progress in political co-operation among the Nine in reality and in the eyes of third countries should not obscure the fact that there are still gaps in the common voting, particularly on topics of real significance. Or, as a Third World diplomat in New York put it rather bluntly: 'The EEC states vote together on unimportant questions and apart on important ones, in contrast to the Third World's voting, where the reverse is true.' Though the Nine's behaviour may be more 'European' at the UN than at home, there are still strict limits to their freedom of action. Each of the nine delegations receives instructions for voting from its capital. Such instructions are not usually co-ordinated, but correspond instead to the aims and intentions of the particular national policies. The smaller states, such as Belgium and Luxembourg, allow their delegation in New York considerable freedom to align their votes with those of the others, particularly the 'Big Three', France, Britain and West Germany.

Generally speaking, on the less important questions, all nine UN delegations have more opportunity to exert an influence on their instructions from the capital in order to arrive at a common position in New York. It is a rather different matter with regard to important items on the agenda which are significant for national foreign policies. There will not be unanimous voting by the Nine in New York on these questions so long as their foreign ministers or heads of government fail to agree on a common stand. The problem areas in this respect are the Middle East, particularly the Palestine question, de-colonization including anything to do with South Africa, economic topics and, finally, the whole subject of disarmament. The minority which differs from the common attitude varies in its constitution. Only Belgium consistently voted with the majority at

[13] From September to December 1975 there were more than 170 meetings under EPC in New York at ambassadorial and specialist level, apart from ad-hoc consultations during the sessions.

the 30th General Assembly, though even this could change if Belgian policy on the Palestine question were to approach the French position.

While Britain's voting pattern showed the least European solidarity during the 28th General Assembly in 1973, circumstances have changed since then. Now France and Ireland top the league: of 39 non-unanimous votes at the 30th General Assembly, each was in the deviating minority on 13 occasions, while the figures for the 29th Assembly were 23 and 9 respectively. Britain, Denmark and the Netherlands cast divergent votes 9 times (8, 9 and 5 times respectively at the 29th Assembly), West Germany 7 times (twice at the 29th session), Italy 6 (once at the 29th), and Luxembourg twice (none at the previous session). Five EEC countries joined the deviating minority more often in 1975 than in the previous year; this was due mainly to the fact that resolutions on important subjects were either more far-reaching in substance or more sharply worded than in the past (as was the case with the Palestine and South Africa resolutions) and, as a result, some EEC countries were no longer prepared merely to abstain. This development was paralleled to a certain extent by a hardening of national policy in these areas, for instance, West German policy on Palestine and on economic topics. It was West Germany and Italy who increased their divergent votes most compared with 1974.

On the eight important Middle East resolutions, the EEC countries voted unanimously only four times. On the other occasions they formed two distinct groups: one leaning more to the Arab side, led by France and including Italy and Ireland, and the other leaning more to the Israeli side, consisting of the other six. Italy and Ireland alone would not have endangered Community solidarity, but, since France was not prepared to compromise, they joined her. The only question on which there was a different grouping was that of PLO participation in negotiations aimed at a settlement in the Middle East:[14] here West Germany, Britain and the Netherlands who voted against participation made a common position impossible. In particular on the two Palestine resolutions,[15] which were among the most important at the 30th General Assembly, the Nine tried until the last moment, both in New York and in their home capitals, to agree on a joint position, which certainly would have given a boost to European Political Co-operation in general. But all efforts, including the Belgian compromise plan, to abstain together on the PLO resolution and to reject jointly the general Palestine resolution foundered on French opposition.

The French attitude is based on the conviction that Europe must in future play a greater role in the Middle East, where it has vital political and economic interests. The Italian and Irish attitudes are similar to the

[14] GA Resolution 3375 (XXX).

[15] GA Resolutions 3375 and 3376 (gen. Palestine Resolution) (XXX). On the question of a joint Middle East policy see Günther van Well, 'Die Entwicklung einer gemeinsamen Nahost-Politik der Neun', EA 4/1976.

French but narrower in perspective. As a Mediterranean country, Italy is interested in establishing good relations with her Arab neighbours, while on many issues Ireland feels closer to the developing nations than to the industrialized world because of her not so distant colonial past and her agrarian economy. This is reflected particularly in the voting on decolonization issues: Ireland and Denmark voted seven times with the Third World majority.

On decolonization (including South Africa questions), Denmark appears more disposed to take up a common position with the other Nordic states, known for their 'progressive' attitude on Third World issues. Her dual loyalty sometimes gives rise to dissatisfaction among the EEC members as well as her Scandinavian partners, with both complaining at times of her lack of solidarity when it comes to working out a common position at the UN. However, there could be some advantage for the EEC countries in Denmark's dual adherence, since she could play a bridging role between the two groups aiming at better co-ordination of the voting by the European Community and the Scandinavian countries.

Finally, on economic and disarmament issues, the Netherlands are striving to take on the role of the 'progressive' outsider vis-à-vis the Third World. As far as economic questions are concerned, West Germany and the Netherlands occupy opposite ends of the spectrum of views ranging from 'right' to 'left', 'conservative' to 'progressive'. On the three politically significant issues where there was no unanimous EEC vote, West Germany was each time part of the dissenting minority.[16] The 'progressive' Dutch attitude on economic questions meant that the Netherlands, led by the Minister for Overseas Development, Mr Pronk, sometimes consulted with other Western industrialized nations pursuing similar ends. Apart from the three EEC countries, Holland, Denmark and Britain, this group comprised Norway, Sweden, Canada and Finland. Their meetings were viewed by the other EEC members with some concern, as they might undermine the long-term future of European Political Co-operation.

Britain's and France's special status and EPC

The special position of France and Britain as permanent, veto-holding Security Council members and nuclear powers has proved something of a burden for EPC at the UN. Permanent membership of the Security Council means political influence, power and respect as well as certain institutional advantages. So long as there is no European Foreign Minister, neither Britain nor France are interested in giving up their great-power status alongside the US, the Soviet Union and China. Their

[16] GA Resolutions 3486 (XXX)—Charter of Economic Rights and Duties of States; 3489 (XXX)—Acceleration of the transfer of real resources to developing countries; 3517 (XXX)—Mid-term review.

special position in the UN means that in certain areas their interests do not necessarily coincide with those of the majority of EEC countries.

This is true, for example, on general security questions which touch on their status as nuclear powers. Here France, even more than Britain, tries to maintain a special role, though there was unexpected progress towards a Community position during the 30th General Assembly. The EEC countries voted together on eight out of 17 resolutions, and made two joint declarations,[17] which was quite unprecedented in the field of disarmament. The start of another very promising development at the 30th General Assembly could be seen in the regular meetings of the Nine within the framework of EPC for mutual consultation on disarmament issues. This was made possible by France's willingness to consult and thus avoid further isolation.

In the General Assembly, France and Britain often hesitate to take a firm line on resolutions which call for action by the Security Council or deal with problems already discussed by it. Nor are there any regular consultations about agenda items of the Security Council as part of EPC. If France and Britain were to give the impression now that they only represent an agreed Community view, the EEC countries would not be able to retain two permanent seats on the Security Council in the reform proposed by the Third World. Both members are therefore at pains to exclude Security Council topics from consultations with their EEC partners. In this respect the other seven are faced with a dilemma: on the one hand, they feel insufficiently informed about the work of this main UN organ but, on the other hand, they are aware that their own representation in other UN bodies would be jeopardized by an impression of strong EEC solidarity: the more the EEC nations act as a bloc, the less the other members of the group of West European and other countries (WEOG) will be prepared to allot them seats in addition to those given to France and Britain when it comes to the nomination of candidates.

If EPC at the United Nations is to be at all credible, however, France and Britain will not be able in the long run to act as individual members of the Security Council with 'special global responsibilities', but will have to operate within the framework of a general consensus of foreign policy worked out in EPC.[18] That their attitude on this point has already changed is shown by their willingness to keep their EEC partners at least generally informed about Security Council work, to the extent that time is available after their intensive consultations with other Security

[17] GA Resolutions 3472 (XXX)—Question of nuclear-weapon-free zones; 3479 (XXX)—Prohibition of the development and manufacture of new types of weapons of mass destruction and of new systems of such weapons.

[18] See for example the Namibia debate in the Security Council (27–30 January 1976): France, Britain and Italy referred in their speeches to the Declaration by the Nine on Namibia (S/PV.1881, 1883, 1884), which was circulated as a Security Council document on 27 January 1976 (S/11945).

Council members. This development was furthered by the fact that Italy was a non-permanent member of the Security Council when she held the EEC Presidency and was responsible for co-ordinating consultations among the Nine. West Germany will be faced with a special task and responsibility when she takes up her seat in the Security Council for two years from January 1977.

Co-ordination of UN policy in the European capitals

Progress on co-operation in New York has necessitated harmonization of UN policies in the European capitals. Consequently, UN questions are playing an increasing part in the negotiations of the Political Committee of EPC (consisting of the Political Directors of the nine Foreign Offices), where an attempt is being made to arrive at a joint position on problems of global importance. Since political events in the General Assembly often occur in quick succession, co-ordination towards a joint vote can only be successful when the guidelines for a common policy have been laid down in advance in the Political Committee and the nine delegations in New York are left with enough freedom of action to agree their attitude within those guidelines.

On UN-related topics the Political Committee is assisted by a group of experts comprising UN specialists of the nine Foreign Offices. Their task is to define problems of common interest and suggest ways of solving them. Though this represents an institutional basis for action, it will not suffice in the long run. In the first place, the group should meet more often. During the three months of the General Assembly, in particular, there should be close co-operation between this group and the nine delegations in New York (which has not been the case so far) so that instructions are always in line with the state of debate on a particular issue in New York and co-ordinated among the Nine if possible. The basic difficulty is again that EPC as an instrument of joint diplomacy is much further advanced in the UN than in the comparable bodies in the European capitals.

Need for EEC policy on the Third World

Despite the relative political success of EPC at the United Nations and the fact that the greater unity of the Nine has established them as a serious partner of the Third World in dialogue and negotiations and demonstrated their ability to lead the Western industrialized nations, the fundamental problem of their political relationship with the Third World remains. It should be pointed out here that the developing countries no longer form a united group on all questions discussed at the UN. Indeed, as the last General Assembly showed, their solidarity on topics outside the North–South conflict, such as the Western Sahara[19] dispute, Timor,

[19] See John Mercer, 'Confrontation in the Western Sahara', *The World Today*, June 1976.

Angola and Belize, is now splintered. This may, however, prove to be an easily reversible trend if the West overplays its hand and tries to make political capital out of it. Only long-term policies can succeed here. The same would be true of any Western policy which tried—as the US has already done on occasion—to 'punish' developing countries in bilateral relations for supposedly hostile attitudes in multilateral negotiation. An indiscriminate strategy of this kind would only serve to strengthen the developing countries' solidarity against the West.

The Nine's Third World policy should be based rather on an intensification of political co-operation in Europe itself. Successfully harmonized national policies could then be transferred to multilateral negotiations, with a joint European policy towards the developing nations applied both in direct relations with them and within international organizations and conferences. The comparatively successful attempts to reach a common position in the UN are thus merely a link in a long chain leading to a common foreign policy. The need to make progress on political co-operation particularly outside the United Nations was shown by the recent failure to co-ordinate policy on the recognition of Angola. This need is becoming ever more urgent owing to the expansion of the East–West conflict to the Third World. Taking the long-term global view, the problems of the Third World are bound to exceed the scope of the UN: the Nine will then be able to play a role alongside the superpowers only if they have a co-ordinated policy which empowers them to be a major factor in world politics.

Gierek's Poland: five years on

ALEX PRAVDA

The Government's backdown after the recent riots against price rises has underlined this article's main argument: that to ensure the support of the working class, which is essential for the maintenance of political stability, the Polish leadership has been forced to mortgage the country's economic future.

VIEWED in the perspective of the first five years of its development, Gierek's original vision of 'another Poland' appears far more sober and conservative than it seemed in the halcyon days of 1970–1. Any hopes of really radical reform have long disappeared, and the picture of the next quinquennium projected at the Seventh Party Congress last December is an all too familiar one: hard work under the firm control of the Communist Party.

In order to understand recent Polish developments, one must remember that the present leadership's policies were shaped largely in response to problems bequeathed by Gomulka rather than being part of a pre-existing overall programme. Nevertheless, the leadership's priorities do seem to have been determined by Gierek's preoccupation with the need to satisfy popular, particularly industrial workers', demands for improved material conditions. This central preoccupation stems from a genuine concern for the people's welfare and a belief in the need for close co-operation between the leadership and the working people. Yet it also flows from a realistic analysis of the 1970–1 crisis. This crisis demonstrated, once again, that in Poland, and potentially in all the Communist states, the only social force capable autonomously of exerting decisive influence on the political power situation are the workers when roused. Further, it reaffirmed that the only issues which galvanize the working class to such a pitch of protest action are bread-and-butter ones.[1]

It follows from such an analysis that a leadership which ensures the material satisfaction of the workers thereby assures political stability and its own tenure. The Gierek leadership, therefore, from the outset has placed its legitimacy on economic performance criteria, on doing precisely what Gomulka failed to do—delivering the goods of material

[1] For one account of the events of 1970–1, see A. Ross Johnson, 'Polish Perspectives, Past and Present', *Problems of Communism*, July–August 1972.

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improvement. In order to do this, Gierek has shown himself to be willing to mortgage Poland's economic future for the sake of present prosperity, thus reversing the orthodox Communist Party strategy of holding out the prospect of an abundant Utopia to justify current sacrifice. Effective though this new approach has been in maintaining Gierek in power, it has opened up a whole range of largely economic problems which have intensified rather than diminished over the last few years.

The economy

As the Polish leadership elected to earn its authority by economic achievement, the economic record of the last five years assumes even greater political importance than is usually the case in Communist states. The most striking feature of Poland's economic development between 1971 and 1975 was the very high rate of growth in all areas. Though far more rapid and uneven than the projections of the 1971–5 plan, this unplanned growth was the direct outcome of Gierek's option for a policy of economic boom to satisfy popular material demands. In view of this, it is not surprising to find that the most spectacular achievements have occurred precisely in the areas most closely connected with those demands, namely prices and wages.

Because the immediate trigger of the events of December 1970 had been Gomulka's pre-Christmas food price rises, one of the first acts of the new leadership was to freeze food prices at the pre-rise level. But what was intended as a temporary expedient necessitated by political crisis was soon transformed by the workers into a required permanent feature of regime policy. Gierek found it extremely difficult to overcome the widespread resistance to any real increases in the price of basic commodities. Sensitivity on this issue is characteristic of the peoples of Eastern Europe (and of the Soviet Union), but in Poland in the last five years it seems to have been heightened by the regime's apologetic justification of the small increases which have taken place. Such small rises, often disguised by the marketing of new, more expensive brands, have provoked protest and fed widespread and near paranoid fears of imminent and massive increases.[3] Many workers have come to see price stability, and even near price freeze in food items, as a fundamental right far more vital than a whole array of civil liberties.

The difficulties of maintaining price stability were compounded by the regime's pay policy. Here the new leadership responded to Gomulka's record of near stagnation in wages by making substantial awards: the average industrial wage grew by over 50 per cent between 1971 and 1975. Augmented by considerable increases in social benefits and set within a

[3] M. Gamarnikow, 'A New Economic Approach', *Problems of Communism*, September–October 1972; for a representative sample of workers' views at one Gdansk meeting, see *Radio Warsaw*, 17 October 1975 (translated in *Radio Free Europe* [RFE], *Press Survey* 2474, 30 October 1975).

framework of overall price stability, such awards resulted in a massive 40 per cent rise in real wages, double the figure envisaged in the 1971–5 plan. This, the fastest real-wage growth in Eastern Europe, is explicable in terms of a whole complex of factors, but principally it was the consequence of the leadership's fundamental reluctance to take a firm stand against managers' frequently indiscriminate use of the wage fund to satisfy workers' rising expectations in an officially generated climate of plenty. One direct result was the growth of purchasing power by a third, double the planned figure. Much of the consequent higher consumer demand fell on the basic foodstuffs (particularly meat, the consumption of which has grown by a third since 1970) not only because of their relative cheapness, but because of the inadequate supply of consumer durables of a quality acceptable to the increasingly selective Polish public. This imbalance between demand and supply produced serious suppressed inflation of which the rapid growth of savings was only one symptom.[3]

Problems of foreign trade

Initially, Gierek's economic strategy was one of moderate growth to satisfy what was then anticipated as a moderate increase in demand; investments were to rise by an overall 45 per cent, industrial production by 50 per cent and consumer market supply by 43 per cent. But as demand accelerated so the new leadership demonstrated its determination not to be held back by caution. A growth strategy had by 1973 been transformed into one of economic boom. By the end of 1975 investments and market supply had risen at double the planned rate while overall industrial production was up by 73 per cent on the previous five-year period.[4] The risks inherent in such a relatively ad hoc acceleration were considerable in themselves, but they were further compounded by what was the deus ex machina of Gierek's 'economic miracle' of a simultaneous consumption and investment explosion—Western capitalism.

This part of the strategy seems to have been based on the following assumptions. Firstly, imports on credit of consumer goods, mainly from the West, would bridge the temporary gap between domestic supply and demand; after all, the Soviet Union had itself set a precedent by providing a large hard-currency loan to assuage consumer anger after the crisis of 1970–1. On a more fundamental level, the large-scale import, again largely on credit, of technologically advanced Western plant would greatly boost the productive capacity of the Polish economy. As a result, Polish industry and agriculture would, within a relatively short period, not only be able to satisfy domestic demand, but would also be able to increase exports sufficiently to repay most of the original debts incurred.

[3] Central Committee Report to the Seventh Congress, *Nowe Drogi*, No. 1, 1976; also *Polityka*, 15 March 1975.

[4] Central Committee Report, *loc. cit.*; *Polityka*, 20 September 1975.

To expedite this process, many large enterprises were to be allowed to borrow hard currency and purchase plant from the West as long as they repaid these loans by their export earnings.

The climate of détente made the securing of Western credits relatively easy, and Gierek's active diplomacy yielded impressive results both in this sphere and in that of long-term co-operation agreements. Yet by 1973–4 the problems of excessive growth rates and imbalances began to manifest themselves in this part of the strategy, as in the strategy as a whole. Foreign trade grew at double the planned rate; this was largely a function of the massive import of Western capital goods by Polish enterprises which took the official encouragement too far and even imported plants complete with the bricks for perimeter walls. As a result, the pattern of Polish trade shifted towards the West to a far greater extent than had been foreseen: between 1971 and 1975 the Western share in total Polish imports rose from 25 per cent to just over 50 per cent. Apart from the political and ideological implications, this shift had serious cost repercussions. Poland was exposed to world inflation on two fronts: higher Western prices and increased cost of raw materials from the Soviet Union.

This situation made the export side of the equation even more vital, but the leadership's initial expectations proved over-sanguine. Although the growth in exports to the Comecon countries kept pace with socialist imports, exports to the West grew at only one-fifth of the rate of imports from the developed capitalist world. Poland's indebtedness to the West rose at an alarming rate, amounting to an estimated $7,000 m. by the end of last year.[5]

Disappointing export performance can in part be attributed to Western recession, but this only exacerbated fundamental domestic production problems. Although production grew considerably over the five-year period, Polish industry failed to provide sufficient quantities of the high-quality manufactured goods that had been envisaged as the new spearhead of the export drive. Instead, a great share of the burden fell on traditional export sectors, fuel and food. But food in particular came under intense pressure from domestic demand. Production expanded, yet insufficiently to sustain the two-way stretch of export and domestic markets, a strain from which many other consumption goods suffered. Over half of Poland's meat products went abroad; as a result, 1974–5 witnessed several periods of meat shortage. Any repetition of December 1970 in the Baltic area was pre-empted by the release of army meat supplies, but shortages in Warsaw and Lodz led to the breaking of shop windows and the raising of anti-Gierek slogans. Admittedly small-scale

[5] For discussion of these issues, see S. Gomulka, *Kultura* (Paris), November 1975; W. E. Heneghan, 'Polish Trade and Polish Trends', *RFE Background Report*, 13 November 1975; *The Financial Times*, 15 December 1975.

affairs, these were precisely the phenomena the entire Gierek strategy was designed to avoid. Their recurrence after several years of economic boom underlined the continually conditional nature of the leadership's popular support.[6]

A change of course

Because of the serious problems which had emerged from the boom strategy, a definite change of course was declared at the Seventh Party Congress last December. The underlying principle of the 1976–80 plan is a decisive cut in growth rates; in fact, most of the targets constitute a return to the levels of growth set by the original 1971–5 plan. Not surprisingly, inputs have been cut back substantially: overall investments are to increase by 40 per cent in the next quinquennium instead of doubling as they did over the last five years. The most drastic paring has been reserved for imports from the West; these are scheduled to rise by a mere third by 1980 instead of continuing at their 250 per cent growth rate. Proceeding from the assumption that the Polish economy has built up considerable production reserves over the last five years, the 1976–80 plan projects only a moderate deceleration of overall production growth and a doubling of exports to the West, which is hoped will result in a favourable trade balance by 1978. In view of likely Western reluctance to permit an expansion of Polish imports when Poland is unwilling to reciprocate, and in view of the considerable problems of quality production and of domestic demand pressure, such export projections seem over-optimistic.[7]

The much lower growth rates of the 1976–80 plan and the new economic rationality which they reflect, have obvious and politically crucial implications. Firstly, the new approach demands a different policy on prices. The leadership has been tentatively preparing the ground for such a move since 1974; without actually rescinding the freeze, it tried to emphasize the gradual price rise of 1974–5 as part of a return to normalcy. At the Seventh Congress, Gierek spelled this out: he all but said that the freeze would be ended in 1976 and that in future prices would have to reflect the rising costs of production. In view of this it seems unlikely that price increases will be kept to the 2 per cent per annum rate set by the plan.

The new policy on incomes has been phrased in much less careful and ambivalent terms. Gierek's message to the Polish people at the Seventh Congress could be summed up as 'You have never had it so good, but you will have to work harder and more efficiently if improvement is to be maintained.' Indeed, the official congress slogan focused on the need to improve the quality of work in order to satisfy the increasingly selective

[6] *Le Monde*, 9 December 1975; *Polityka*, 15 March 1975; Central Committee Report, *loc. cit.*

[7] Prime Minister Jaroszewicz's report to the Seventh Congress, *Nowe Drogi*, No. 1, 1976; *Polityka*, 13 December 1975.

domestic consumer and to compete on world markets. While labour productivity made good progress between 1971 and 1975 when compared with the situation under Gomulka, there was a disappointing lack of improvement in labour discipline. The leadership initially worked on the principle that greater material rewards would automatically yield greater labour efficiency; hence the generous pay awards and social benefits. Yet by 1975 it had become evident that larger material rewards could be counter-productive: when, for instance, sickness benefits were raised to full pay for all categories of workers, the number of workers off sick jumped by 14 per cent. The provisions relating to sickness benefits were therefore restored to the status quo ante at the end of last year. The above case is typical of the direction of developments. Increasingly, reliance has been placed on negative sanctions as well as on positive incentives, and even the latter have been considerably tightened. All bonuses are now strictly tied to productivity increases, all wage improvement is in future to depend on real improvement in performance. As Gierek told the Seventh Congress, real wages are scheduled to increase by a mere 18 per cent by 1980, instead of the 40 per cent of the last five years, and all of that 18 per cent will have to be earned.[8]

Political controls

For a leadership dependent on working class support, the decision to call a halt to economic boom and replace it with the prospect of moderate and earned material improvement is a politically dangerous one. None the less the change is vital for the maintenance of the economic performance on which popular support is based.

The negative impact on the workers of the new calls for industry and discipline has been somewhat mitigated, first, by the regime's impressive record of material improvement and past over-fulfilment of promises, and, secondly, by the special relationship that Gierek has built up with the people, particularly with the industrial workers, over the last five years. In the course of those years he has attended over 400 mass meetings at farms and factories to listen and reply to popular criticisms and suggestions. During the last five years, however, the public relations nature of these frank sessions has increasingly come to the fore, while hopes of their marking the beginnings of a greater devolution of power to the working people have receded into the background. This is only one symptom of the clear line drawn by the regime between the opening up of channels for consultative access to policy makers and the devolution of real decision-making influence and power. That the first has been seen as a desirable trend and the latter as something to be resisted is evident from several developments over the last five years.

[8] *Polityka*, 4 October 1975; *Le Monde*, 9 December 1975; Gierek's report to the Seventh Congress, *Trybuna Ludu*, 9 December 1975.

The Party organizations of the largest 164 industrial enterprises have continued to enjoy a special direct line of communication with the Central Committee apparatus; this has made possible greater consultation of worker opinion but has not meant greater political autonomy for the Polish working class. On the other hand, reforms which might have resulted in greater autonomy, namely the veto rights that the trade unions were promised soon after Gierek came to power, have failed to materialize. Early demands for the revitalization of workers' self-management organs have also been conveniently forgotten.[9] Despite, or rather because of, the workers' ultimately decisive power, the Party leadership has refused persistently to allow any institutionalization of the de facto situation.

Instead, the regime has responded to the problems of excessive economic dynamism and imbalance by tightening rather than relaxing central controls. What was heralded in 1971 as a prospective large-scale economic reform soon turned out to be a mere organizational rationalization. The limited de-centralization of decision-making in the foreign trade sector was reversed after it had led to excessive spending. In administration, the 'democratizing' local government reforms have if anything strengthened central control; indeed, Poland is the only East European state, apart from Rumania, to have introduced a direct fusion of Party and local government hierarchies.[10]

On the ideological front, the strengthening of Party direction and control has been in evidence for a longer period. From late 1972 a growing emphasis was placed on the need for ideological cohesion; more recently this was transformed into a call for ideological offensive, inspired at least in part by the need to combat capitalist consumerism. Even if Coca-Cola and potato crisps (both recently introduced to Poland) do not necessarily transmit bourgeois consciousness, they provide the propagandists with a useful link between the excesses of domestic consumerism and the dangers of Western imperialism. Much of the ideological offensive is designed to counter the secularizing effects of the leadership's stress on material achievement and thus prevent a total erosion of the non-economic criteria of the regime's legitimacy. In agriculture, for instance, considerable improvements in the farmers' material position have been accompanied by a growing campaign to speed the socialization of the countryside. Financial inducements have helped to accelerate the selling of farms to the state, which expanded its holding by 25 per cent between 1971 and 1975, and is scheduled to grow by another 50 per cent by 1980 when that sector is expected to constitute 30 per cent of all arable land.[11]

[9] A. Ross Johnson, *op. cit.*; *Polityka*, 13 December and 20–27 December 1975; *RFE Background Report*, 9 February 1975.

[10] R. W. Dean, 'Gierek's Three Years', *Survey*, Spring–Summer 1974, pp. 61–5. The recent Sejm elections (March) and the apparent dilution of the Znak group tends to confirm this tendency; see *Trybuna Ludu*, 23 March 1976, and *Le Monde*, 23 February 1976.

[11] Gierek's report, *loc. cit.*, Central Committee report, *loc. cit.*

Another aspect of the ideological campaign has been the focus on transforming the political indifference widespread among Polish youth into socialist commitment. To facilitate this process, the structure of the youth organizations has undergone a re-centralization which is likely to produce a monolithic youth organization along pre-1956 lines. Of greater long-term importance are proposed educational reforms which, inter alia, call for the incorporation of a larger ideological element into school curricula and for the placing of schooling on an all-day basis. Both moves are obviously designed to curtail the influence of countervailing indoctrination by the Party's traditional ideological rival, the Catholic Church.[11]

Considerable opposition to the proposed reforms has therefore come from the Church, and though this has produced some amendments, the reforms' essential features remain unaltered. Generally, the Church has found itself under increasing pressure. Firstly, the debilitating effects of modernization have been intensified by the acceleration of Polish socio-economic development; particularly worrying is the continuing exodus from the countryside to urban areas where church construction remains very restricted. A more direct attack has come from the attempts by the regime to negotiate an agreement with the Vatican, if necessary over the heads of the Polish hierarchy. So far, the Polish episcopacy has effectively obstructed the conclusion of any such concordat by insisting forcefully on the fulfilment of its traditional demands as a prerequisite for any settlement, but the danger of an unholy alliance between Party and Vatican still hangs over Cardinal Wyszynski and his colleagues.[12]

Last and, in the context of Poland in recent years, one is heinously tempted to say least, what of the intellectuals? Their relative passivity can be explained partly in terms of their desire to support a popular leadership and partly in terms of that leadership's tactful and flexible handling of the problems which have arisen. Only very recently has intellectual dissidence of real substance emerged on any significant scale. At the end of 1974 a petition was raised calling for full civil rights for Poles living in the Soviet Union. Of far greater importance was the widely supported action, leading up to and straddling the Seventh Congress, protesting against proposed constitutional amendments, all of which would have merely brought Poland into line with the rest of Eastern Europe, but which were seen by intellectuals and clerics as another tightening of the ideological screw. The protests focused on three of the proposed amendments: the constitutional enshrinement of the Party's leading role in society; the affirmation of Poland's alliance with the Soviet Union and a clause making the enjoyment of civil rights conditional on the fulfilment of civic duties. The leadership responded in characteristic fashion. The most objectionable parts of the draft amendments' wording were toned down without

[11] Central Committee report, *loc. cit.*
[12] *Le Monde*, 11–12 November 1973 and 27 January 1976.

really changing their substance.[14] In this way the steam was taken out of the protests and Gierek's image of being tough but reasonable was reaffirmed. There was never any question of the protests constituting a threat to the leadership's authority and control—no intellectual dissidence possesses in itself sufficient force to exert such pressure on any Communist Party leadership. However, it is interesting to note that one of the protest letters called not only for constitutionally guaranteed civil liberties but also for economic rights, including the workers' right to strike.[15] The inclusion of workers' demands within an intellectual platform is perhaps the fruit of reflection on the failure of intellectual protest in 1968 and the success of worker protest in 1970–1. Such a move does constitute a potential threat to a leadership which has decided to call a halt to economic boom, to try and stem the flood of rising expectations and to restrict what many workers have come to regard as their fundamental rights: security of employment and steady improvement in living standards, virtually regardless of their own performance.

This is not to say that Gierek is in any immediate danger of losing political control. His position within the leadership appears to be very secure; Szlachcic's demotion at the Seventh Congress confirmed the political demise of the right-wing Moczar group. And whatever the rumoured differences between Gierek and his Prime Minister, Jaroszewicz, the First Secretary still commands the vital support of the Soviet leadership, particularly of Mr Brezhnev.[16] But even leaving aside the difficulties which may arise from leadership changes in Moscow, one must not forget that Soviet support for Gierek remains conditional on his ability to maintain political stability and Party control. These in turn are ultimately dependent on working class support, at the very least on the absence of working class hostility. Gierek purchased the workers' political support by mortgaging Poland's economic future. Because of this support he has so far been able to tighten political and ideological controls, but as measures taken to repay the mortgage diminish the regime's popularity, the problems facing Gierek are likely to become ever more acute.

[14] *Le Monde*, 12 December 1975; *Trybuna Ludu*, 24–25 January 1976; *The Sunday Times*, 1 February 1976.

[15] The text of the protest letter signed by 59 intellectuals is in *RFE Background Report*, 31 December 1975.

[16] *Le Monde*, 15 December 1975; *Polityka*, 20–27 December 1975; 'Z Okazji VII Zjazdu PZPR', *Kultura* (Paris), January–February 1976.

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Note of the month

HELSINKI SCOREBOARD

The Helsinki conference turns out to have confirmed neither the worst fears of its critics nor the best hopes of its defenders. In the twelve months since the Final Act was signed[1] it has not caused the West to sink euphorically into unilateral disarmament. Nor has it liberated Eastern Europe or transformed the political system of the Soviet Union. It has merely taken its place as one factor among many affecting the evolution of East–West relations, which have if anything slightly deteriorated in the meantime.

The first results of the conference were largely verbal as the Russian and East European Governments tried to claw back points lost during the negotiations and assure themselves, their domestic critics and their populations that nothing vital had been surrendered. Thus the Soviet Politburo statement of 6 August 1975 laid down the line which has been followed ever since. It called the conference 'a major step towards consolidating the principles of peaceful coexistence and establishing relations of equal co-operation between states with different social systems'.

Curiously enough, this misinterpretation has been accepted by some Western critics of the conference who persist in claiming that the Final Act has in some way endorsed the Soviet sphere of influence in Eastern Europe. It has done no such thing. It contains no mention of peaceful coexistence and nothing about 'relations between states with different social systems'. It says that the principles of Basket I apply to 'relations with all other participating states, irrespective of their political, economic or social system'. In other words, it recognizes only sovereign states, not spheres of influence, and its principles apply as much to relations between the Soviet Union and its allies as to relations between countries of East and West. If properly implemented, it would strengthen rather than weaken the sovereignty of East European states.

As if to counteract this and discourage any dangerous illusions, the Soviet Union has been stepping up its efforts to foster integration of all kinds in Eastern Europe. In addition, in October 1975, it signed a friendship treaty with East Germany which clearly overrides the Final Act by affirming the doctrine of limited sovereignty. At the Soviet party Congress in early 1976, Mr Brezhnev said that the process of the drawing together of the socialist countries 'is now operating quite definitely as an

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[1] See this author's 'The CSCE summit', *The World Today*, September 1975.

objective law'. If this seems to discourage any hope that the Helsinki texts could foster greater independence in Eastern Europe, it can at least be seen as evidence of fear that this is the direction in which they point.

The practical effects of the Final Act have been scattered but visible, even allowing for the fact that some of the things which have happened under its auspices could have happened anyway. The confidence-building measures in Basket I have been implemented to the extent that Nato has given advance warning of eight military manœuvres, of which only three were over the 25,000-man threshold where notification is compulsory. Observers from the Warsaw Pact were invited but none has come so far. Moscow has notified two manœuvres of over 25,000 men and has also invited Nato observers, who accepted. In April this year, Hungary suddenly gave just one day's notice of a manœuvre of 10,000 men. So far no violations have been recorded.

Basket II may provide some assistance for East–West trade, even though this was increasing before the agreement was signed and is now likely to level off because the East is running out of Western credit. After Helsinki, Czechoslovakia and Bulgaria permitted Western firms to establish permanent representations in their capitals, but other socialist countries, including the Soviet Union, had taken the same step earlier. In April, the Economic Commission for Europe was instructed to prepare a programme for implementing the agreements, and it will also examine the new Soviet proposals for pan-European conferences on energy, transport and protection of the environment. Technical improvements in trading relations may follow, but so far the flow of commercial information from Eastern Europe, which was supposed to increase, is still regarded as very inadequate in the West.

Basket III remains the main source of contention and the main measure of progress, since it requires positive action from the signatories. The socialist countries have reacted with floods of defensive and offensive statements and a few practical measures designed to show that they are implementing it. Brushing aside the obligation 'to facilitate the freer and wider dissemination of information of all kinds', they say, like Mr Georgi Arbatov in *Izvestia* on 3 September last year, that 'if some people regard them [the Helsinki agreements] as an obligation to fling open the door to anti-Soviet subversive propaganda, to material preaching violence, fanning national and racial strife and spreading pornography, they are labouring in vain'. The Russians insist that the flow of information is subject both to the principle of non-intervention and to a general obligation to foster mutual understanding. They continue to jam Radio Liberty.

They have, however, granted multiple entry and exit visas to resident Western journalists and have proposed speeding up visa procedures for visiting journalists—an area in which the Western countries can be lamentably slow. Some travel restrictions have also been lifted. But

expulsions and refusals continue. The correspondent of *Der Spiegel* in East Berlin was expelled because of an article by another author which appeared in his magazine. A Norwegian journalist was refused a visa to the Soviet party Congress. Three West German correspondents were excluded from the Leipzig Fair, and many prominent British applicants have been kept out of the Soviet Union. But the West has also refused a few visas, so no one is going to have a wholly clean record when the review conference meets in Belgrade next year.

East–West travel has increased in the past twelve months, though Mr Hattersley said in the House of Commons in February that family reunions were not going well from the British point of view. The Swiss give a more optimistic picture, and the West German Government reports that 20,000 ethnic Germans emigrated from the Soviet Union, Poland and Czechoslovakia in the past ten months, and that permitted emigrations from East Germany rose from 8,000 in 1974 to 10,200 in 1975. The number of visits from East Germany for urgent family reasons rose from 38,000 in 1974 to 40,000 in 1975. The number of West Germans visiting East Germany rose from 1,900,000 in 1974 to 3,100,000 in 1975.

Cultural traffic between East and West remains quantitatively unbalanced, as Moscow never tires of pointing out. They import far more books, films, plays and television programmes from the West than the West imports from them, but Western imports are determined largely by the market, so there is not much Western governments can do.

In the long run, the Final Act should be judged not merely by the scoreboard of implementations and violations but by whether it can be seen to be influencing events. The evidence so far is that it is having some influence. Not only are governments monitoring the agreement and watching each other's implementation of it (President Ford has even set up a special congressional commission) but countless intellectuals, religious groups and others now cite Helsinki in defence of their rights. In Moscow, a dissident group has set itself up to monitor the agreements and has already produced a dossier of violations. In Poland, a youth group is doing the same. The results may seem very limited but governments are now conscious that they are being watched and measured by the standards of Helsinki. Even if their behaviour is only slightly modified, the conference will be seen to have done some good and no discernible harm. If nothing else, it has formally established the fact that respect for human rights 'is an essential factor for the peace, justice and well-being necessary to ensure the development of friendly relations. . .' This gives governments and individuals formal justification for raising questions of human rights in the context of détente.

RICHARD DAVY

Czechoslovakia: the legacy of 1968

ALEX PRAVDA

EIGHT years after the event, Czechoslovakia is still overshadowed by August 1968. At the 14th Party Congress in 1971 Husak declared that the process of normalization and consolidation had been successfully completed, and that, having eradicated all traces of the 'crisis period', the Party would proceed to build up a new and prosperous Czechoslovakia. Yet five years later, at last April's 15th Party Congress, Husak still felt constrained to refer to the need for constant struggle against 'rightist opportunism'.[1] The leadership is thus badly behind the schedule set by Moscow according to which energy should no longer be dissipated in eradicating traces of 1968, but instead should be concentrated on fostering economic growth and popular legitimacy.

In part, the time lag in Czechoslovak development can be traced to the divergence between the Moscow and Prague leaderships' attitude towards the problem of 1968. Over the last five years, Moscow's desire to erase the memory of the invasion has become increasingly evident. Publicly, attempts have been made to shift much of the blame on to Shelest and other hard-liners who were on the way out of the Soviet Politburo; in private, soundings have been taken of Czechoslovak reform leaders' assessment of the situation and of their willingness to help should the situation arise. The Kremlin has seemed to advocate the view that some kind of controlled and limited reconciliation with 'the men of 1968' is an essential prerequisite to the achievement of any long-term success for the post-invasion regime. Most of the Czechoslovak leadership, however, see themselves as the negation of 1968; they harbour what are probably exaggerated fears of likely public reaction against them should controls be relaxed and the reformers rehabilitated; for them that is the road to political suicide.[2]

Not all the Czechoslovak Party Presidium think the same way; indeed, the division of opinion on this key question has hampered their ability to resolve the problem. The leadership consists of at least three groupings: the moderates, led by Gustav Husak, tend to argue for a measure of

[1] *Rude Pravo*, 20 May 1971 and 13 April 1976. For the situation in 1971, see R. W. Dean, 'Czechoslovakia: Consolidation and Beyond', *Survey*, Summer 1971.
[2] See *Listy* (Rome), May 1975; *Svedectvi* (Paris), No. 43 (1973).

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reconciliation; the hard-liners, represented by Vasil Bilak, advocate a firm stand against all domestic détente, while the 'trimmer-conservatives', such as Alois Indra, adjust their line to what they interpret as current Soviet policy. The existence of such groupings within what is really a very loose coalition must be attributed in part to Moscow's strategy of not allowing any one leader or group to become dominant and thus less dependent, and in part to differences of opinion within the Kremlin itself. While the moderates in Prague have scored several recent successes—Husak added the office of President to that of Party Secretary-General last year—the other groups still possess considerable influence and exploit all available issues including nascent Czech nationalist resentment against what are considered to be Slovak privileges.[3] (Husak himself is, of course, a Slovak.)

In these circumstances, how has the regime managed to cope with the set of problems stemming from 1968? The top leadership of the reform movement appears to have become more rather than less of a worry in recent years. Josef Smrkovsky's death in January 1974 removed the most capable and the most active of the old leaders, but it served to prompt Alexander Dubcek, the former Party First Secretary, to break his long public silence and protest against the repressive nature and ineptitude of the Husak regime. Although Dubcek and the others have been often denounced as counter-revolutionaries, they have not been placed on trial; and despite Husak's reported anger at Dubcek's later statements, Moscow's and Prague's evaluation of the likely repercussions of such a trial have kept retaliation down to press vilification and police harassment. Yet the latter only tends to generate further protest, and publicity of any kind is publicity for 1968; statements such as Husak made at the 15th Congress that all 'rightist opportunists' were isolated and their ideas bankrupt are likely to be popularly interpreted to mean precisely the opposite. While Dubcek-type protests do not in themselves constitute a real political threat, the inability of the regime to deal with them effectively encourages reformers of a more theoretical bent, like Zdenek Mlynar, to persist in trying to find a compromise solution which would avoid some of the most unpopular aspects of the present policy and give Moscow the stability, orthodoxy and prosperity it requires.[4]

Somewhat greater success has been encountered in dealing with the second-rank political figures and the opinion leader intellectuals of 1968. The political trials of 1972 are now probably seen to have been a mistake;

[3] *Listy*, December 1974 and May 1975. Czech complaints centre on parity of federal appointments and discrimination in favour of Slovakia in investment policy.

[4] For the text of Dubcek's letter, see *Listy*, April 1975; for reactions, see *Rude Pravo*, 22 April 1975, *Svedectvi*, No. 50 (1975), and *Listy*, August 1975. For a survey of recent dissent documents, see J. F. Triska, 'Messages from Czechoslovakia', *Problems of Communism*, November–December 1975.

they were prepared in a hesitating, almost apologetic fashion and created more difficulties than they solved. A few trials have been held since, but a definite attempt has been made to replace 'Stalinism without Terror' with what has been called 'Stalinism with a Human Face'. Police powers were increased in 1974, but searches and interrogations have been relatively light and some of the more trustworthy intellectuals have been allowed to travel and even work abroad.[5] This conciliatory policy on the cultural front has paid some dividends in the return to the official fold of several well-known writers, even if the most prominent of the 1968 intellectuals have refused to indulge in self-criticism and have instead subjected the regime to telling examination.[6]

By far the greatest problem bequeathed by 1968 has been the fate of the 460,000 Communists who either left the Party or were ejected from its ranks. The mass expulsion of about one-third of the Party's membership may well have cleansed it of all ideological deviation, but it also deprived it of nearly all of its active members. Recruitment drives, launched in 1971 after the end of the main 'purges', initially failed to make any impact, leaving the Czechoslovak Party in 1973 numerically dominated by pensioners and bureaucrats—only the Mongolian Party had a lower proportion of workers in its ranks. Since then impressive numbers of the right categories have been recruited, and in quantitative terms the Party has been restored to a healthy state. But the quality of the new entrants leaves a great deal to be desired: most of them regard Party membership as purely instrumental—for getting a better job or gaining educational advantages for their children. The moderates in the leadership argue that readmission of some of the ex-Communists is necessary in order to revitalize the Party's ranks and replenish its woefully inadequate cadres.[7] The conservative hard-liners, on the other hand, fear infiltration, anticipate the replacement of inept but loyal cadres by capable but untrustworthy ones, and point to the Soviet criticism of excessive Party size which was levelled against the Czechoslovak leadership in 1968. After years of dispute, it now seems that a compromise solution has been reached: namely, to re-examine the cases of all but the 70,000 expelled 'rightist opportunists' who are regarded as irredeemable, and to readmit the majority of the 390,000 struck off the Party lists who, according to Husak, have now seen the error of their ways.[8]

[5] Many of the 46 sentenced to terms of three to six and a half years were released early: *Listy*, November 1972 and February 1973. For police powers, see *Rude Pravo*, 25 April 1974; *Le Monde*, 30 May 1974.

[6] Triska, *loc. cit.*; for the text of Havel's letter, see *Listy*, July 1975, and *Encounter*, September 1975.

[7] Figures vary but it is estimated that approximately 140,000 left the Party of their own accord. For estimates on expulsions, see Bilak, *Rude Pravo*, 13 September 1975; G. Wightman and A. H. Brown, 'Changes in the levels of membership and social composition of the Communist Party of Czechoslovakia, 1973–75', *Soviet Studies*, Vol. XXVII, No. 3 (July) 1975, pp. 413–17.

[8] *Rude Pravo*, 13 April 1976.

The most powerful arguments in favour of such a policy, and its most important potential benefits, are economic rather than directly political. First, the return to positions of managerial responsibility of many of the well-qualified and experienced industrial directors dismissed for political reasons would greatly raise the present very low level of management. The danger from the hard-liners' and other conservatives' standpoint, that such managers would press for greater decision-making powers, is outweighed by the likely improvement in economic performance their work would produce. Second, the readmission of most of the 150,000 ex-Communist workers would replenish the ranks and greatly raise the standing of Party and trade-union organizations at factory level. This would indubitably help to improve work morale and thereby labour productivity on which future economic growth is almost totally dependent.[9]

What is remarkable, however, about the development of the Czechoslovak economy over the last five years is not that the above problems exist—they seem to be endemic in most East European countries—but that overall performance has been so good. The 1971–5 period was one of growth impressive in its steadiness and balance rather than its speed; the current five-year plan (for 1976–80) is marked by sober and realistic expectations of growth at only a slightly lower rate. But some cause for concern has been given by the performance of foreign trade. Czechoslovakia missed out on the halcyon days of Western credits and does not have a large foreign debt, yet the last three years have seen the appearance of a trade deficit, the result of increased import costs and disappointing export performance. Though small, the deficit runs counter to a tradition of surplus and has generated a drive for a substantial expansion of exports over the next quinquennium. The achievement of such an expansion hinges on the raising of production quality, which in turn requires more effective utilization of new equipment, better work and more efficient management. Some have gone on to argue that it also needs a far-reaching rationalization of the structure of economic decision-making.[10]

Important though such issues are in the mid-term, what is politically important in the shorter term is that Czechoslovak economic performance has produced a steadily rising standard of living. Wages have gone up consistently if not spectacularly, while retail prices have virtually stood still for the last seven years. The supply of consumer goods, both food products and durables, has been excellent by East European standards,

[9] *Rude Pravo*, 31 May 1975; *Listy*, May 1975; *Odborar*, No. 25 (December), 1975. The new Labour Code has increased the disciplinary powers at the management's disposal, see *Rude Pravo*, 25–27 March 1975. The 1976–80 plan has growth of labour productivity accounting for 91–93 per cent of the projected increase in national income, *Rude Pravo*, 21 April 1976.

[10] *Rude Pravo*, 13, 14 and 21 April 1976; *Nova Mysl*, No. 1, 1976. Industrial production rose by 38 per cent between 1971 and 1975 and is scheduled to grow by a further 32–34 per cent by 1980. For critical comment on the economy, see Goldmann in *Politicka Ekonomie*, No. 1, 1975, and *Tvorba*, 28 April 1976.

giving the Czechoslovaks a standard of living second only to the East Germans. Housing, one of the perennial black spots, has been tackled with greater success in the last five years than at any comparable time in the past.[11] It must be noted, however, that the outlook is somewhat less rosy; as the Prime Minister, Lubomir Strougal, told the 15th Congress, prices cannot be kept down in future unless this is justified by productivity, and wages will have to be related more strictly to performance in order to combat ever-present egalitarian tendencies.[12]

All these problems considered, the overall picture is still one of relative economic prosperity in what is normally and rightly held to be a demoralized and subjugated country. Some help may have come from the Soviet Union in the form of credits and permission to ease defence expenditure and foreign aid, but this is not a sufficient explanation. One is forced to conclude that the great majority of the population despite, or rather because of, the hopelessness of the political situation have turned inwards to concentrate on material accumulation for their individual and their families' welfare. This does not mean that they will necessarily work to their maximum capacity, but it does explain why they might be motivated to work fairly hard. Most people have resigned themselves to the abnegation of democratic rights and have settled instead for economic benefits. This attitude constitutes the basis for the country's economic performance and political stability.

The fact that intellectual dissenters deplore and attack this development as a sell-out to consumerism and a symptom of the nation's moral and spiritual crisis merely testifies to the regime's achievement of economic prosperity and political quiescence by a combination of negative and positive material sanctions. What political dissent exists overwhelmingly takes the form of small-scale largely intellectual protest against regime repression and the circulation of information by *samizdat*: in other words, it bears a strong resemblance to its Soviet equivalent. There is no question of any significant portion, let alone the majority of the 70,000 'rightist opportunists', constituting any kind of real opposition force.[13]

As political memories fade, and even the strong anti-Soviet feelings give way under the influence of traditional Czech realism, it will become possible to relax controls without risk of unacceptable repercussions, and increasingly it will be in the Soviet interest to encourage a gradual 'democratization' along Hungarian lines.

[11] *Nova Mysl*, No. 10, 1975; *Rude Pravo*, 13, 14 and 21 April 1976.
[12] *Listy*, December 1974; *Tvorba*, 21 January 1976; *Rude Pravo*, 21 April 1976.
[13] Havel letter, *loc. cit.*; for a selection of Czechoslovak *samizdat*, see Triska, *loc. cit.*; *Listy*, passim, and Nos. 1–8 of the *Bulletin of the Committee to Defend Czechoslovak Socialists* (London).

The future of Europe's exchange rate policies

CONRAD J. OORT

The mythology of the 'snake' can lead the European Community into a blind alley, with potentially destructive consequences in both economic and political terms. It is urgent to devise effective rules for floating to govern the EEC's vulnerable relationships.

ALMOST exactly five years ago, the international monetary system set up in Bretton Woods in 1945 finally collapsed. Its two cornerstones—the strength and stability of the US dollar, and the balance of payments discipline of the other participants—had both been gradually eroded in the 1960s. The process culminated in what was then euphemistically called the temporary suspension of the dollar's convertibility into gold. In fact, it ended up by gold being totally eliminated from the Articles of Agreement of the International Monetary Fund (IMF), and by the parity system having to share first place with floating exchange rates.

We have now lived with floating rates for almost five years and personally I believe the system—or lack of system, if you prefer—has not worked too badly, considering the tremendous disturbances to which the international monetary scene has been subjected during that period. I do not want to go into that subject here. Rather, I would like to focus on the exchange rate system in the European Economic Community, present and future.

I am worried about the monetary developments in the Community. Not just because of the Italian situation which, of course, has much wider implications than only the monetary. I am worried about the growing divergence between 'snake' and 'non-snake' countries—or, if you prefer, between the DM-bloc and the others. There is a growing tendency to regard the snake-formula as the only road to economic and monetary virtue, which others should join or else be left in limbo. The recent Tindemans report is a clear sign of that type of thinking: its economic and financial paragraphs are focused entirely on the snake. The latter, it will be recalled is an exchange rate arrangement among a number of European countries, now reduced to Germany, the Benelux countries and Den-

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mark, with Norway and Sweden as associate members, and Austria and to some extent also Switzerland as informal hangers-on.

Rather than describe the life and habits of the snake[1], such as they developed in the past years, or the recurrent drama of entry and exit of individual currencies, I would like to focus on the future of European exchange rate arrangements and policies in general. I propose to do so on the basis of four propositions which I shall briefly state first and work out in some more detail afterwards. Needless to say, these propositions are purely private opinions and not official views of my Government.

Four propositions on the Community exchange rate system

(i) Is it realistic or even desirable to expect all countries of the European Community to join the present snake arrangement before long? My answer to that question is: no.

(ii) How bad is the present situation in which some members of the Community participate in a fairly close exchange rate arrangement, and others have no effective obligations in this area at all? I submit that it is *very* undesirable, both from an economic and from a political point of view.

(iii) What should we do: relax the discipline of the snake to allow present outsiders to join, or find some looser general arrangement which all could join, including the snake countries which could operate as a group within that more general arrangement? My preference would be for the latter alternative.

(iv) What might such a general exchange rate arrangement look like? I propose that it can be based on the concept of 'rules for floating', as worked out to some extent already in the framework of the IMF.

In the following, I shall try to fill in some of the details of, and reasoning behind, these propositions.

Proposition (i): the 'snake' cannot accommodate all EEC countries in the near future.

The snake arrangement is based on the idea that the underlying economic relationships between participating countries remain fairly stable over time. If they do not, either the central cross-rates will have to be adjusted frequently by small amounts, or at greater intervals by large amounts. The latter is certainly undesirable: it leads to the kind of periodic upheavals in the exchange markets which killed the parity system. But even small and relatively frequent adjustments of officially announced central cross-rates are problematic: they reduce the credibility of the snake and, what is more, they are unlikely to be realized.

[1] For the history and content of the snake arrangement, see Ian Davidson, 'Prospects for monetary reform', *The World Today*, September 1972.

I might illustrate the difficulties involved with reference to recent events. It has been amply reported in the press that in the period before France left the snake on 15 March, proposals were discussed to adjust the central rate of the French franc vis-à-vis the Deutsche Mark. During these discussions it appeared that both parties were willing to adjust the relationship between their currencies and they even agreed on the size of the adjustment, but neither wanted to present it as a change in the central rate only of the national currency. The idea of a *re*valuation was unpopular in Germany on account of its expected negative effects on German exports, and *de*valuation was as vehemently rejected by France for political reasons. Apparently, neither country saw it as a realistic possibility to explain to its citizens that the two measures were identical. Old concepts never die; one can only hope that they will fade away.

Under the circumstances, the obvious compromise was to split the difference: Germany would upvalue some and France would do the rest by devaluing her currency. I am convinced that it never entered the minds of the politicians that the decision to present the rate adjustment in this way simply could not be taken by the two countries alone, because it depended on the other partners allowing it. If the Benelux countries and the Scandinavians would stay with the DM, the operation would effectively constitute and would necessarily be regarded as a *de*valuation of the French franc. If, on the other hand, the smaller countries would stay with the Ffr, the operation would be considered a DM *re*valuation. In the event, the whole compromise fell through, but it was an interesting lesson in political as contrasted to economic logic. One thing it did prove: adjustment of central rates within a small group is necessarily a matter of multilateral decision and procedures will have to be devised to take account of that fact.

These events provide additional support for the thesis I have long defended: that for precisely the kinds of political reasons that played a role recently, declared parities or central rates tend to be very sticky. They are seldom adjusted in time before an exchange crisis forces the authorities' hands. I may perhaps be permitted to quote from a paper which I had the great privilege and pleasure to present in 1974 before the joint meeting in Tokyo of the IMF's Per Jacobsson Foundation and the Japanese Federation of Bankers Associations:[2]

> Why are countries reluctant to change their parities promptly? It is my conviction that this is basically due to the political asymmetry between positive action and non-action on parities. Governments are rarely criticized for not changing the par value, and when they are, it is easy to silence such criticism by appealing to the national interest that

[2] 'Steps to International Monetary Order', The Per Jacobsson Foundation (Washington, D.C.), 1974.

> forbids open debate on such sensitive issues. A change of the par value, on the other hand, is a conscious, overt policy action that is unavoidably accompanied by all the trappings of a major public decision: comments in the press, complaints from groups that are injured, windfall profits and losses by 'speculators' and traders, book gains or losses for the Central Bank or the Treasury, parliamentary debates, international repercussions, etc., etc. Behind all this commotion are the very real facts that a parity change does hurt certain sectoral interests, particularly in the case of revaluation, and that a devaluation adds to cost-push inflation at home. . . . Left to themselves, governments will continue to take delayed, discontinuous action on parities.

I believe that timely adjustment of officially announced central rates is unlikely to happen. Whenever the underlying economic developments of countries are so divergent as to require fairly frequent adjustment of exchange rates, it would in my opinion be better not to have officially announced central rates at all, and to stick to managed floating.

I do not believe that the underlying economic developments in all member countries of the EEC will in fact run sufficiently parallel in the near future to avoid the need for fairly frequent adjustment of exchange rates between at least some of them. Italy and the UK are the obvious examples, but there may be others in the future. The growth of incomes and of productivity, the rate of inflation, cyclical developments—they are all still highly divergent in different countries and unlikely to come together in the near future, either spontaneously or under the influence of policy co-ordination. I need not go into the failure of policy co-ordination or the reasons for that failure. The political facts are clear. Nor is it realistic to expect a powerful feed-back from fixed exchange rates to domestic policy, except possibly in the area of monetary policy, but certainly not in such areas as incomes and public budgets.

My conclusion on proposition (i) is that it is neither realistic nor desirable for those countries that are not closely tied together in economic terms to join as tight an exchange rate arrangement as the snake.

Proposition (ii): the present division in the Community between snake members and non-snake members is undesirable for economic as well as political reasons.

I am very much afraid that the mythology of the snake and the doctrines associated with it are leading the European Community into a blind alley. It makes us concentrate on the snake, while monetary co-operation in the Community as a whole is suspended until a future time when present outsiders are in a position to join. It is my personal conviction that it may in fact be quite a while before all countries are on a sufficiently parallel economic course to permit present outsiders to join the snake. If in the meantime we were to continue along present lines, I am afraid we shall

witness a further slide towards a monetary division among member-states that grows deeper the longer the present situation lasts: snake members will strengthen their arrangement and widen the area of policy co-ordination, whereas the others may tend to fall back on nationally oriented policies. The latter is the real danger of the present monetary vacuum in the Community: floating countries may start to abuse or may be accused of abusing their exchange rate freedom to the detriment of their partners. This might lead these partners to introduce restrictions on payments or even on trade with the obvious destructive consequences for the Community, both in economic *and* in political terms.

The present situation also carries the political implication of second-rate citizenship for the outsiders, a development which, even if it applies only to monetary matters, I strongly believe would be fatal for the Community. We must avoid that at all cost. We must create a framework for general monetary co-operation in the Community, including snake and non-snake members alike.

Proposition (iii): we need a general set of rules and mutual obligations with respect to our monetary behaviour, which all countries of the Community can accept.

There are several ways to approach such a general set of rules and obligations. One is to relax the discipline of the present snake sufficiently to allow present outsiders to join. Suggestions have been made, in particular by France, in the direction of greatly widened margins and allowing temporary floats outside the snake. I do not believe that is the right approach. Present snake members will not want to weaken their arrangement to that extent. Also, it is not necessary. I can well imagine a Community in which some members will, at least for some time, continue to exercise the option of floating their currency, while others accept a snake-type arrangement. What *is* essential, if we want to retain the monetary and hence also the economic cohesion of the Community, is that we have a general set of rules and mutual obligations applying to all members. Within that general set of rules, the snake would only be a special, tighter arrangement, just as the Benelux 'worm' was a special case within the European snake.

I would propose, therefore, that we concentrate our attention in the Community on working out certain agreed 'rules for floating'. Such rules have been worked out in the framework of the IMF, but they have not been put into actual operation so far. There is every reason to do so in the European Community, which could serve as a pioneer and a testing ground for the world community. We could eventually go even a step further than the IMF, both in content and enforcement. In any case, it is very urgent that we devise effective rules for floating to govern the vulnerable relationships within the European Community.

Proposition (iv): a European exchange rate system, based on the concept of 'rules for floating'.

Let me begin by recalling that the IMF has agreed in principle on a set of rules for floating which impose positive as well as negative obligations on member countries, coupled with certain powers enabling the Fund to challenge the policies of member countries. The main elements of the scheme are the following, and I paraphrase the official language:

(*a*) A country should smooth out fluctuations in the value of its exchange rate. It should not normally act aggressively, i.e. it should not depress the rate when it is falling or push up the rate when it is rising.

(*b*) A country is allowed to act aggressively if in so doing it brings its exchange rate closer to a so-called '*target zone of rates*', which it has established with the concurrence of the Fund.

(*c*) The Fund will consult with a member country and challenge its policies when the exchange rate has moved outside what the Fund considers a reasonable range, to an extent that the Fund considers likely to be harmful to the interests of members. But a member would not be asked to hold any particular rate against strong market pressure.

These are very ingenious rules indeed. They are a clever mixture of positive and negative commitments, supervised by the Fund which is given certain, albeit limited, powers in precisely those areas that are of greatest importance to the international community. The commitments are not excessively constraining on a floating country's freedom of action, for it retains the essential aspect of floating, namely that it is not forced to defend a parity value of its currency by positive action. Nor are the powers of the Fund more far-reaching than should be acceptable. So far, however, the rules have not been implemented by the IMF and I have some doubts as to whether they will be in the near future, particularly with regard to the most important country with a floating currency, the United States. But I do believe that rules such as these could well be put into practice in the European framework.

A lot of work will still have to be done to make the IMF rules operational and suitable for application in the European Community. One thing we might want to investigate in particular is the possibility of putting more teeth into the commitments of member countries. It has been suggested, for example, that a country with a floating currency should in *all* cases be obliged to seek agreement on a target zone for its exchange rate; without such a target zone it would not be allowed to intervene in the foreign exchange market at all.[3] As a positive inducement, a country that does have a target zone and that intervenes to bring

[3] See J. Williamson, 'The Future Exchange Rate Regime', Quarterly Review of the *Banca Nazionale del Lavoro*, June 1975, p. 127–43.

its exchange rate closer to the target might be granted easy access to the credit mechanisms of the Community. Other carrots and sticks with all sorts of procedural rules are conceivable and worth investigating.

Among the many questions that will also have to be settled—such as the width of the target zone, the currencies in which a floating country may intervene, the rules for settlement of its intervention debts, etc.—I believe three to be of particular importance. The first of these concerns monetary policy. Our experience in the Community shows that a sound monetary policy is a vital precondition for, and a prime instrument of, exchange rate management. By tightening the money market and hence driving up short-term interest rates, countries attract foreign capital, and vice versa. Intervention in the exchange markets is generally used only as a second line of defence, which in any case can be successful only when monetary policy does not frustrate it. Recent events in Italy amply prove this point. The IMF rules for floating, although phrased in general terms, are usually interpreted as referring only to intervention policies. Community rules for floating would certainly have to include specific obligations with regard to monetary policy and procedures for co-ordination of national policies in this area.

The second important issue is the denomination of the target zones. Should the target zones be denominated in some average value of snake currencies, in the European unit of account, in special drawing rights (SDR), in dollars, or in terms of a trade-weighted average of rates, the so-called 'effective rate'? My own preference would be for the effective rate, since it best represents a country's overall competitive position on the world market. If a country is at all able to state what its target zone is, it can do so only in terms of an effective exchange rate or something closely related to it (such as the SDR). Assuming that in practice it is impossible to prevent public knowledge of the target zones, the denomination in effective rates has the added advantage that it does not immediately translate into cross-rates for specific currencies. Hence, it does not as easily become a reference point for speculators, nor is it politically as difficult to change as rates in terms of specific currencies.

The third and final aspect to which I would like to draw attention concerns the procedure for setting and revising the target zones. Assuming that a country is able and willing to state a target zone for its exchange rate, what procedure should be followed (*a*) for gaining the approval of the European Community and (*b*) for adjusting it, when necessary. On the first point, it would be my feeling that the target zone as proposed by the country concerned should be accepted, unless a strong qualified majority of the other members, including the Commission, objects to it. The benefit of the doubt should be strongly in the proposing country's favour, but the Community should have a chance to object in case the target is manifestly unjustified by the underlying economic considera-

tions, such as the international competitiveness of the country concerned.

To ensure that the targets continue to correspond to the changing economic reality, they should be periodically reviewed, say once every six months. In view of our experience that parities and central rates tend to be maintained until they are manifestly out of line and that adjustment then becomes a disturbing factor in the exchange markets—an experience that may well carry over to some extent to the more informal target zones —I would favour a procedure that establishes a *presumption* in favour of adjustment, with the possibility of blocking it by some qualified majority decision. The difficulty then is to find an appropriate objective indicator to trigger the adjustment, a problem which was extensively studied and discussed by the Committee of Twenty. Perhaps the most appropriate indicator would be some index of relative cost developments in the country concerned and in its major competitors, but I have come to despair of the possibility that we could ever agree on the appropriate indices. Under these conditions, we should perhaps return to the old idea of the crawling peg that used to be popular among academic economists but has very rarely been accepted by policy-makers. Adjustment of the target zone would be a function of actual exchange rate behaviour in the period preceding the review.

As I have said, the difference between this proposal and the automatic crawling peg is that the mechanism is only a presumption which can be put aside by qualified majority decision. I believe that such a presumptive rule for the adjustment of target zones could provide a workable and an acceptable compromise between the need for some monetary rules of the game for the Community as a whole, including the floaters, and the need for sufficient flexibility to accommodate those countries which have decided to float their currency, presumably because they feel that their economic development will be different from that of their partners. Within these rules, the snake could continue to operate as it does today, providing a tighter system for those countries that are on a sufficiently parallel economic course to permit a more rigid exchange rate system between them. Time will show whether the Community will gravitate towards the snake system or to the looser arrangement of the target zones with presumptive rules for adjustment. Much will depend on our success in effectively co-ordinating our economic policies, but that will take time. Meanwhile, I hope we can create some order in our monetary relations that are now hopelessly confused.

Portugal's free choice

ANTONIO DE FIGUEIREDO

After fifty years of authoritarian rule and a taste of revolution, the Portuguese have had the opportunity to make their choice in free elections. Their definite option for social democracy contains lessons for Europe.

BEFORE the April 1974 coup it was generally assumed that the then clandestine Portuguese Communist Party would emerge as the dominant political group in Portugal in the event of the overthrow of the Salazar–Caetano regime. There were a number of reasons to justify this assumption. The illegal Communist Party was known to be the only organized opposition group in continued existence for over 40 years. It enjoyed support, recognition and financial assistance from the Soviet Union and other East European countries, as well as from Communist parties in Western Europe. Apart from a dedicated core of full-time activists and militants, the Party could rely on the co-operation of influential secret sympathizers holding key positions in journalism, the arts and education. Moreover, both the propaganda of international Communists and that of the regime's supporters paradoxically converged, for opposite expedient reasons, in exaggerating the strength of the Party.

Two years after the coup, however, the Communist Party has been overwhelmed by the Socialist Party, the Popular Democratic Party and the Social Democrat Centre, and isolated as a minority party, far less relevant than its counterparts in Italy or France. No longer a matter of assumption, its relative strength can now be measured in electoral terms. Table 1 shows the percentages obtained by each of the main parties at the elections for the Constituent and the Republican Assembly held since 1974.

Table 1

Party	*April 1975*	*April 1976*
Socialist Party	38	35
Popular Democratic Party	26	24
Social Democrat Centre	8	16
Communist Party	13	15
MDP/CDE (pro-Communist)	4	(not running)

As can be seen, despite the fact that the allied party MDP/CDE had been dissolved in the meantime, the Communist Party did not increase its

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share of the vote proportionally. But more significant still was the outcome of the presidential elections in June 1976 in which the Communist Party candidate, Senhor Octavio Pato, came at the bottom of the list (see Table 2).

Table 2

Candidate	*Supporting parties*	*Share of the votes*
General Ramalho Eanes	Socialist Party Popular Democratic Party Social Democrat Centre	61·54
Major Otelo Saraiva de Carvalho	Populist/extreme left grouping	16·52
Admiral Pinheiro de Azevedo	Independent	14·36
Octavio Pato	Communist Party	7·58

Many domestic and international factors accounted for this unexpected development. The suffrage had been extended from a restricted 1·5 million people under the previous regime to over six million, to include all people of both sexes above the age of 18. Nearly one-third of the new voters came from the rural population and it was found that, with the exception of certain regions in the Alentejo where the possibility that the latifundia would be taken over made Communism more attractive, the overwhelming majority, especially in the northern half of the country, tended to vote for the most conservative parties, namely the Social Democrat Centre and the Popular Democratic Party.

This section of the population has a deep attachment to the land, for their smallholdings are simultaneously property and profession, representing wealth and security, as well as what tools and diplomas might mean to industrial workers and urban dwellers. They have been left out of the main stream of Portuguese social and economic development and are one of the few European remnants of a past social age, when the instinct of property was not even related to profits, but to survival. Nevertheless, they derive their deep anti-Communism from religious feeling and a combination of empirical knowledge in which the experience of migrant labour in the EEC countries has had some influence. Contrary to ideological propaganda promoted by officially sponsored re-education campaigns, they did not ascribe their backwardness to the capitalist system, pointing out that agricultural workers in West European countries, the United States and Canada have achieved more through economic and technological advance than the average East European peasant under Communism. Moreover, still resentful of the collectivist practices imposed by the previous corporative system, they suspected that any other form of state intervention in production and distribution

would still leave them in their ancestral condition of subordination to the interests of urban classes and industrial workers.

In their own way, the rural population shared the emotions and feelings that the more sophisticated sections of Portuguese society were expressing in their militant support of the local branches of the Socialist, Popular Democratic and Centrist parties that were being formed throughout the country. After the gruelling experience of nearly half a century of authoritarian para-Fascist rule, the Portuguese were emotionally so weary of totalitarianism that the Communist Party itself pointedly announced that it had dropped the principal aim of the 'dictatorship of the proletariat' from its programme at one of its first conferences held after the coup. And when the Party, in practice, appeared to support attempts under the Government of the pro-Communist Prime Minister, Vasco Goncalves, for a gradual Communist infiltration and take-over of the Armed Forces Movement, the media and the educational institutions, the otherwise politically naïve mass of Portuguese voters had had enough evidence of the essential similarity of Fascist and Communist methods.

How the bulk of the Armed Forces, under a contingency defensive plan devised and carried out by General Ramalho Eanes, succeeded in curbing an attempted Communist take-over on 25 November 1975 might well be related to the implications of Portugal's membership of Nato and her geographical position in the westernmost tip of Europe, with Spain as her only territorial neighbour. But it has also to do with the fact that even within the Communist camp there was neither ideological cohesion nor unity. If anything, the democratic freedom prevailing in Portugal since April 1974 seems to show that when Communists are protected from the repression imposed by single-party rule, they are unlikely to submit to the institutionalized and monolithic discipline that is suggested by the apparent conformity of political life in Communist countries. In Portugal, not only were Communists too weakened by dissension, reciprocal distrust and in-fighting to be able to co-operate in an attempt to take over power by insurrectional means: as Communist Party voters supporting the party's official presidential candidate, Octavio Pato, at the June 1976 elections, they were outnumbered by the assorted front of extreme-left Communists and Socialists supporting the populist candidate Major Otelo Saraiva de Carvalho, who polled nearly double the number of votes cast for Pato. But one must also take into account the fact that Portuguese Maoists, following a worldwide trend of new political alignments, opted for giving their support to the candidate backed by the Socialists and Centrists, General Ramalho Eanes, but these could not have amounted to more than a few thousand voters.

Reasons for Communist defeat

That the rival parties, namely the Socialist Party, the Popular Demo-

cratic Party and the Social Democrat Centre, managed to gain the initiative from the Communists to the point of being able to command 61·54 for their jointly backed candidate is partly due to the ability of a new generation of political leaders, like the respective party secretaries, Mario Soares, Sá Carneiro and Freitas do Amaral, as well as the capacity for improvisation of their supporters and sympathizers both in Portugal and in Western countries. But in the Portuguese resistance to Soviet-orientated Communism there were other features of a historical, cultural and economic nature which in some instances resemble experiences obtaining elsewhere, while also introducing new factors of considerable relevance for the understanding of modern politics.

First there were the realities arising from the dissolution of the centuries-old Portuguese empire and the subsequent economic and social upheaval in the former colonies. Unlike the Soviet Union, which is historically the only former imperial power that has managed to turn territorial dependencies into federated states subject to centralized national rule, the conversion of Portugal's capitalist-imperialist regime into a Communist system, would not necessarily result in national aggrandizement. On the contrary, given the dependency—inherited from the previous regime—on the richer colonies, namely Angola and Mozambique, Portugal was faced with the prospect of far-reaching sacrifices from which there was no long-term possibility of recovery.

Moreover, the economic situation resulting from the unique simultaneous process of decolonization overseas and socialization and nationalization of private companies at home brought the country to a major crisis. By the end of 1974 Portugal had spent some $600 m., or 20 per cent of her foreign currency reserves, to meet the deficit in the balance of payments. With the return of the armies from the overseas territories, and the repatriation of settlers from Mozambique, unemployment began to rise alarmingly. By the end of 1975, with civil war and administrative collapse in Angola and the exodus of refugees to Portugal, unemployment had reached nearly one million people or some 15 per cent of the population. Comparatively, such a percentage would be equivalent to some six million Britons or West Germans, or 25 million Americans or Russians unemployed. During the first half of 1976 it was officially estimated that, owing to the conjunction of domestic and international adverse factors, the increase in consumption, the higher cost of oil, foodstuffs and raw materials, earnings from Portuguese exports could meet only half of the cost of imports; the decreased earnings from tourism and emigrant remittances would be only enough to meet the imports of wheat and other essential foods on which Portugal is heavily dependent; with extra expenditure and heavy borrowing the remaining Portuguese gold and currency reserves would be exhausted by the end of 1976.

Ideological limbo

Much to the despair of idealist Communists, international Communist solidarity did not significantly extend to the more tangible field of economic relations. In fact, under the pretext that Portugal had only fallen into an indecisive ideological limbo between East and West, the Comecon countries were not prepared to assist in making the revolution viable. There were indeed several trade agreements, relating to the purchase in Portugal of surplus wine, shoes and a few other commodities, in which the Comecon countries appeared to be taking advantage of the situation to press for reduced prices.

The whole Portuguese experience in the relations with Comecon countries seems to raise new questions arising from the situation created by the process of economic integration within the Western and Eastern blocs after decades of peaceful but competitive co-existence. It would appear that the costly experience of Cuba, or the insignificant exception of Albania, cannot easily be repeated elsewhere. Whenever a member of either of the economic blocs becomes ideologically displaced, particularly in the case of a country so heavily dependent on post-Marxist sources of economic income (such as mass emigration into foreign countries or mass tourism) as Portugal, there is hardly a way to make its economy viable. Moreover, the imposition of an alien ideological implant into a member of either bloc inevitably carries the danger of domestic and external phenomena of rejection, which can vary from economic and political boycotts to indirect intervention as in Chile, or even open military invasion as in Czechoslovakia. The Portuguese option for a social democracy that could best ensure the continuity of normal relations with the EEC countries and the United States, and possibly place the country on the way to recovery, confirmed that the majority of the Portuguese were aware of the dangerous and untimely implications of Communist rule.

But there were other factors of a historical and cultural nature to explain Portugal's consistent rejection of the Soviet-orientated Communist Party. Some derive from Portugal's own ancient culture, based upon eight centuries of independence as a predominantly Catholic nation and four centuries of imperialist expansion overseas. Vasco da Gama summed up Portuguese aims during the 15th-century discoveries by stating simply that they were 'seeking Christians and spices', the latter being then an economic asset as valuable as gold or as important as today's oil.

The Portuguese are well aware that the way to imperialist hell is paved with the best intentions if not entirely altruistic purposes. Like the ideological commissars of today, the missionaries and empire-builders of old were animated by the dual purpose of converting others to a particular

revolutionary belief, while expanding their own nationalist economic and cultural influence, with the inevitable corollary of political and military involvement. Portuguese resistance to Soviet-orientated Communism is as much based upon notions derived from a long historical experience as on a desire to defend Catholicism and democratic Western values. For many Portuguese, developments in Guinea-Bissau, Mozambique and Angola reflect a replacement of Portuguese colonialism by the competitive neo-colonial expansion of Soviet-orientated Communism. Indeed, the Cubans were ironically compared to the Gurkhas in the British Imperial Army.

Role of non-Communist Left

This background, influencing the resistance to Soviet-orientated Communism in Portugal, might also explain why the Portuguese party political pattern, while not corresponding to those of Italy, France and Spain, nevertheless follows the undercurrents of independence from Soviet hegemony pursued by even the Communist Parties of those countries. The Portuguese Communist Party, which has not yet shown any tendency to depart from a line of subservience to the Soviet Communist Party, is rather unique in Western Europe. Even at last June's international Communist conference in East Berlin, it stood isolated from the open assertion of the new trend of Euro-Communism. In the Portuguese case, it is the Socialist Party which better represents the recent trend followed by Western European Communist Parties towards developing Socialism within the framework of established national institutions. On one hand the Portuguese Socialist Party, being more radical than the Social Democratic parties to which it is allied through the Socialist International, wants to promote Socialism and workers' control within a parliamentary and multi-party system; on the other, like the Italian Communist Party, it retains a loyalty to Nato and other international institutions which offer a possibility of preserving independence from the Soviet Union.

Moreover, in the case of Portugal, both the Popular Democratic Party and the Social Democrat Centre have abandoned the adherence to the classical models of liberal capitalism and the aversion to state intervention where it may be needed. They are far more prepared to accept the middle-term solutions of a mixed capitalist-socialist economy than their Conservative and Christian-Democrat equivalents in Western Europe.

This should not alienate the support they derive from West European parties of similar orientation because it is based on a coming to terms with economic and social realities that may soon be felt in most of the Western world. The basic reality is a growing gap between resources and demands and the realization that the consumer society might well have to give way to the rationing society. Already, under the

pressure of new social and economic factors, the consumer society is faced with increasing standardization, package tours, timed leisure and other forms of cultural rationing that make it look increasingly like socialist states. In Portugal today it is the capitalist who is a Utopian idealist if he believes that modern society can afford the inequalities and vagaries of private enterprise as in the past. Socialism is becoming less and less of a romantic egalitarian ideal to become more and more a doctrine of survival. Subject to trial and error, the Portuguese experiment goes on and is now even more deserving of support from all those who want to see stability in Western Europe and the preservation of Western values.

The result of the June 1976 presidential election was a clear response to General Eanes's appeal for a mandate to introduce civil discipline within the new democratic Constitution; it implied the choice of a Socialist and/or Christian Democrat Government turned towards integration with the EEC and loyalty to the Western alliance. Unless the Communists accept their condition as a minority party and abide by the choice of the majority, they will be further rejected and isolated.

Balkan kaleidoscope

RICHARD CLOGG

East–West ideological differences play a surprisingly small part in the current Balkan exchanges, though historic enmity and suspicions will not be dissipated overnight.

ONE perhaps uncovenanted outcome of the Cyprus débâcle of July 1974, the consequent collapse of the Colonels' regime and of the return of Constantine Karamanlis to Greece[1], has been renewed talk of multilateral Balkan co-operation and solidarity. There has been much diplomatic coming and going between the Balkan capitals and one rather fruitless Balkan 'summit' meeting, held at the end of January 1976. Mr Karamanlis' 'Balkan vision' has yet to acquire any real substance, and for the most part proposals for greater Balkan co-operation have yet to progress beyond the stage of pious expressions of mutual goodwill. None the less it remains true that for the first time since the end of the Second World War, Balkan politicians, however tentatively, are beginning to develop

[1] See the same author's 'Greece and the Cyprus crisis', *The World Today*, September 1974.

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notions of regional solidarity, transcending manifest divergences in political and social systems.

It is not perhaps surprising that the Greeks, only recently emerged from the traumatic years of the Colonels' dictatorship, should seek to portray Mr Karamanlis' Balkan initiatives as representing a radical new orientation in Greek foreign policy. The fact is, however, that it was the military regime that laid the groundwork for Greece's much improved relations with her northern neighbours. It was the colonels who resumed diplomatic relations with Albania in 1971 after a break of over 30 years, agreeing in the process to shelve indefinitely Greece's claims to Northern Epirus, that is extensive regions of Southern Albania with populations of Orthodox Christian descent. Moreover, it was President Ceausescu of Romania who was the first head of state of a European country prepared to lend Colonel Papadopoulos a degree of international respectability by visiting Greece. However, his official visit, scheduled for the end of November 1973, was cancelled in the wake of the massacre of students by the army at the Athens Polytechnic and the subsequent overthrow of Colonel Papadopoulos by Brigadier Ioannidis.

Nevertheless, soon after his return to Greece Karamanlis made it clear that improved relations with Greece's Balkan neighbours were to enjoy a high priority in his foreign policy. One obvious motivation was to win support for the Greek position over Cyprus. President Ceausescu, for instance, had been particularly critical of the Turkish invasion of the island. Another factor of considerable concern to Karamanlis was the possible turn of events in Yugoslavia when the 84-year-old President Tito passes from the scene. Not only the Greeks but also the Romanians, Albanians, and indeed the Yugoslavs themselves are clearly concerned that the demise of Tito might precipitate an attempt to reassert Soviet hegemony in Yugoslavia, by either covert or overt means. Moreover the 'opening to the Balkans' certainly constitutes one means of compensating for Greece's poor relations with her traditional patron, the United States, and for her strained relations with the Nato alliance. Undoubtedly, however, the main thrust of Greek foreign policy remains towards Western Europe and in particular towards accelerated membership of the European Economic Community.[3]

But, whatever his motivation, Karamanlis certainly found time in a busy schedule of foreign visits (Paris, Bonn, Rome and London) to pay, during the first half of 1975, official visits to Romania (May), Yugoslavia (June) and Bulgaria (July). He was warmly received in all three capitals. But the visit to Sofia was particularly remarkable in view of the long tradition of Greek–Bulgarian hostility, dating back to rivalries over Macedonia at the turn of the century, the Bulgarian occupation of Western Thrace

[3] See John Pesmazoglu, 'Greece's proposed accession to the EEC', *The World Today*, April 1976.

and parts of Greek Macedonia during the Second World War, and Bulgarian aid to the Greek Communist Democratic Army during the civil war of 1946 and 1949. Indeed, Karamanlis' own schoolmaster father had been arrested and interned by the Bulgarians in 1917 for Greek nationalist activity in Macedonia. Remarkably, Karamanlis' visit constituted the first official visit ever by a Greek Prime Minister to Bulgaria. These official visits were followed up by Mr Karamanlis' invitation in August 1975 to the Prime Ministers of the other Balkan states, suggesting the convening of a meeting, at the level of Deputy Ministers of Economic Planning, to discuss matters of Balkan economic co-operation and, in particular, matters relating to transport, tourism, energy and culture. President Tito replied accepting the proposal in late September. Favourable replies were also received from the Romanians, Bulgarians and the Turks. The Albanians, too, were invited to attend, but, despite some apparent behind-the-scene attempts by the Romanians to persuade them to participate, declined. At the same time, however, the Albanian leadership made it clear that it favoured closer bilateral relations with Greece.

Balkan 'summit'

The conference to discuss the question of inter-Balkan co-operation was convened in Athens between 26 January and 5 February 1976. Greece, Yugoslavia and Romania were represented by Deputy Ministers or Under-Secretaries, while Turkey was represented by the Director General of the Foreign Ministry and Bulgaria by the Director General of the Ministry of Foreign Trade. From the outset it was apparent that, whereas the Greeks and the Romanians were anxious to give some substance to the notion of inter-Balkan co-operation, the Turks and the Bulgarians were in a very cautious mood. The leader of the Turkish delegation, Oguz Gokmen, was quoted as saying that 'past experience dictated prudence. To pave the way for multi-lateral co-operation on a regional basis it was necessary first to resolve bilateral differences. Otherwise there was the danger of projecting these bilateral differences to a multi-lateral or international plane.'[3] He proposed five areas of possible co-operation: agriculture, energy, transport and telecommunications, trade, environmental protection and the control of natural disasters. Probably the least enthusiastic delegation, however, was the Bulgarian, whose mandate was clearly limited and which had continually to refer back to Sofia for instructions. Apart from the Greeks themselves, the Romanians were the most enthusiastic proponents of inter-Balkan co-operation. They clearly envisaged political co-operation as the ultimate objective, with the leader of the Romanian delegation, Nicolae Stefan, the Deputy Minister for Foreign Trade, calling for the removal of nuclear weapons and foreign bases from the Balkan peninsula.

[3] *Financial Times* and *The Times*, 27 January 1976.

Given the markedly different degrees of enthusiasm of the different delegations, it is not surprising that the communiqué that issued from the conference was a somewhat tepid affair. Ritual reference was made to the spirit of the Helsinki summit, but the concrete proposals that had been tabled for increased co-operation in the fields of trade, transport, energy, agriculture, communications and the environment, among them Greek proposals for a Balkan chamber of commerce and a Yugoslav proposal for a consortium of Balkan banks to facilitate trade, were all referred to the governments for further study, as was the question of the holding of the next such gathering. It was also agreed that the Albanian Government be informed of the progress of the conference.[4] However, despite the fact that the Athens conference produced little in the way of concrete results, it remains true that it was the largest such gathering since the Second World War. Moreover, the momentum of Mr Karamanlis' initiative has been maintained by return official visits to Greece by Presidents Ceausescu (March), Zhivkov (April) and Tito (May), which have given rise to much rhetoric about the need both to bury the enmities of the past and to bring about increased co-operation in the future.

Historical precedents

What, then, are the prospects for the development of some real sense of Balkan regional co-operation and solidarity? It has to be admitted that the historical precedents do not give rise to optimism. From time to time in the twentieth century Balkan statesmen espoused with some enthusiasm the notion of Balkan unity, but these proposals seldom assumed concrete form. The most promising of such moves were associated with the series of Balkan conferences held in the early 1930s: in Athens (1930), Istanbul (1931), Bucharest (1932) and Thessaloniki (1933). All four conferences were attended by representatives of Greece, Turkey, Romania, Yugoslavia, Bulgaria and Albania. There was much talk of Balkan unity and some real progress was made towards giving concrete content to the enthusiastic rhetoric of the politicians. Various inter-Balkan organizations were founded, among them a Balkan Chamber of Commerce and Industry, a Balkan Medical Union and a Balkan Postal Union, and proposals were made for the creation of a Balkan Customs Union and a Balkan Bank. The most remarkable progress was made in the direction of

[4] The Albanian view of the conference was expressed in an article in the party newspaper *Zeri i Popullit* (23 March 1976) which conceded that there was some purpose in inter-Balkan discussions. Although the article was conciliatory in tone, it blamed the failure of the conference to produce concrete results on the pressures exerted by the super-powers on some of the participants, singling out Bulgaria in particular as a puppet of the Soviet 'social imperialists' but not, interestingly enough, referring explicitly to Greek and Turkish ties with the US 'imperialists'. The basic argument of the *Zeri i Popullit* article was that, until the imperialist wolves cease their attempts to stir up inter-Balkan antagonisms, there can be no real prospects of increased unity.

inter-Balkan cultural collaboration, particularly in the field of historical research.

A persistent theme of all four conferences was the creation of a Balkan Pact, although matters were complicated by Bulgaria's refusal to accept as permanent the frontiers established by the Treaty of Neuilly, while Albania joined Bulgaria in insisting on the discussion of minority problems. A Balkan Pact was eventually concluded but without the adherence of Bulgaria and Albania. By the terms of this treaty, which was signed in Athens in 1934, the 'anti-revisionist' states of the Balkans, Yugoslavia, Romania, Greece and Turkey agreed mutually to guarantee their existing frontiers, even if a non-signatory Balkan state committed an act of aggression in concert with a non-Balkan power. Not surprisingly, perhaps, Bulgaria found the continuation of the Balkan Conferences incompatible with the existence of the Balkan Pact. None the less, persistent, if unsuccessful, efforts were made by the Yugoslavs to bring about the adherence of Bulgaria to the Balkan Entente, while moves were made to endow the Entente itself with permanent machinery. But despite the high hopes raised by the signing of the Pact, it was unable to offer any kind of concerted resistance to German and Italian penetration of the Balkans: the outright German invasion of Yugoslavia and Greece in 1941, with Romania adhering to the Tripartite Pact and Turkey remaining neutral, finally proved the Entente to be a dead letter. Inevitably, the political settlement in South-East Europe and the subsequent Cold War put paid to any such schemes in the immediate post-war period. The ambitious but short-lived Balkan Pact of 1954, linking Yugoslavia, Greece and Turkey, quickly crumbled as a result of the Yugoslav–Soviet rapprochement after 1955 and of growing Greek and Turkish antagonism over Cyprus.

If the historical precedents are poor, what, then, are the current prospects? These, too, cannot be said to be good given the differing political and social systems and bilateral antagonisms that exist in the Balkans. Quite apart from the obvious communist/capitalist, Warsaw Pact/Nato split, Yugoslavia is a non-aligned Communist state, while Bulgaria is perhaps the most committed member of the Warsaw Pact. Albania, in ploughing her fundamentalist Marxist–Lenninist furrow, is almost equally hostile to 'revisionist' Yugoslavia and to Bulgaria, whom she regards as no more than a pawn of Soviet 'social imperialism'. Romania and Greece are mavericks within the Warsaw Pact and Nato respectively, while both Greece and Turkey have an uneasy relationship with their super-power patron, the United States.

Bilateral disputes

But the most formidable obstacles to any serious Balkan rapprochement and multilateral co-operation are undoubtedly the various bilateral

disputes that divide the countries of South-East Europe. Significantly enough the most intractable of these bilateral differences, Macedonia and the Aegean, divide countries *within* the same broad ideological groupings, i.e. Yugoslavia and Bulgaria and Turkey and Greece. Apart from occasional rumbles of Greek resentment at talk of 'Macedonia of the Aegean', the Macedonian question is now almost purely a bilateral issue between Bulgaria and Yugoslavia and one which periodically erupts with remarkable vigour. These Macedonian rivalries, as do the current Greek-Turkish animosities, have long historic roots.

The present high degree of tension subsisting between Greece and Turkey has its immediate origins, of course, in the Athens-inspired coup against Makarios in July 1974, which was followed by the Turkish invasion and subsequent occupation of some 40 per cent of the island. But it would be a mistake to regard the Cyprus issue, for all the emotion it has aroused in Greece, as the principal underlying cause of Anglo-Turkish tension. Even if a settlement of the Cyprus issue acceptable to all parties to the issue could be negotiated, and there are no signs of this happening, there remain many causes of friction. Strictly bilateral differences, particularly over the Aegean, lie at the heart of the present confrontation. The basic point at issue is the respective rights of the countries to prospect for minerals, and more particularly, oil in the Aegean. Oil in commercial quantities has been found off the island of Thasos but none so far in the area contested by the two countries. The Aegean dispute is a complicated question of international law, the crux of which is whether the Greek islands off the Turkish coast generate their own continental shelves or whether they are subsumed by Turkey's own continental shelf. Turkey, after initially agreeing to submit the dispute to the arbitration of the International Court at the Hague, has subsequently backed down and is currently planning a series of seismic explorations in the disputed area.

Allied to the continental shelf question is the question of air traffic control rights and Greece's fortification of the islands off the coast of Asia Minor. A series of inconclusive meetings between the two countries have yet to result in agreement as to air traffic control rights in the Aegean region. Turkey has also claimed that the defensive works recently installed in islands such as Mytilini, Chios and Rhodes constitute a breach of the Treaties of Lausanne (1923) and Paris (1947), which confirmed Greek sovereignty over the islands. In some Turkish nationalist circles claims have even been advanced for the return of these islands to Turkish sovereignty. Although neither side has officially raised the question of its respective minorities, the Greek minority in Istanbul and the Turkish minority in Western Thrace, inflammatory articles in the press of both countries have been published about them.

Hopes have been expressed that with the Ford Administration's readiness, subject to congressional approval, to grant military aid worth

$1000 m. to Turkey in return for facilities at twenty-six bases and $700 m. to Greece in return for facilities at four bases will take a lot of the heat out of the existing situation. But there has been no sign of this so far and the Turkish Prime Minister, Mr Demirel, has in effect rejected Mr Karamanlis' proposal for a mutual agreement to settle their differences without recourse to force, by insisting that before consideration of such a treaty existing bilateral differences must be removed.

Given, then, the existence of these differences, the most intractable of which are between Yugoslavia and Bulgaria over Macedonia and between Greece and Turkey over the Aegean, together with the permanent problem posed by the differing political systems and by membership of opposed military alliances, the prospects of moves towards inter-Balkan co-operation progressing much beyond their present essentially non-political level must be regarded as slim. There is certainly widespread concern in certain Balkan capitals as to what may happen to Yugoslavia after Tito's death and fear that the Balkans may once again become a flashpoint for international tension and the focus of great-power rivalries. But these generalized apprehensions are unlikely to give rise to any significant levels of Balkan regional co-operation in the political sphere. Moreover, for Greece, the instigator of the current flurry of Balkan diplomatic exchanges, her Balkan policy has a very much lower priority than her anxiety, amounting almost to an obsession, to achieve accelerated membership of the European Economic Community. Mr Karamanlis has recently gone on record as saying that there is no future in non-alignment for Greece whose political, economic and defence interests must be firmly oriented to the West. Moreover, the main thrust of President Tito's foreign policy is clearly in the direction of the non-aligned countries rather than his immediate Balkan neighbours. None the less, at the lowest, the current initiatives may do something to alleviate the suspicions and distrust that have traditionally characterized inter-Balkan relations.

Venezuela's new role in world affairs

GREGORY F. TREVERTON

Oil wealth, a stable democratic regime, ambition to lead the Third World in its demands for a new economic order, and an industrialization programme requiring foreign participation make this a country of increasing weight within and outside the hemisphere.

THERE is irony in Venezuela's current and prospective role as a force in international relations, both within Latin America and beyond it. Little more than a decade ago the major question about Venezuela was simply whether democracy would survive in a country beset by guerrillas and economic problems, and prone for a century to coups led by military *caudillos*. In foreign affairs, Venezuela—a founding member of OPEC—for more than a dozen years before 1973 had no policy but OPEC's: a sequence of efforts to strike a better bargain for her principal resource and paramount export, whose price in real terms declined by over half between 1957 and 1970.[1]

The manifold rise in oil prices in 1973 made Venezuela rich beyond precedent in Latin America. Between 1972 and 1974, government revenues—85 per cent of which derive from oil exports—jumped from about US$2·9 billion[2] per year to about US$10 billion per year. Per capita income in Venezuela exceeded US$2,000 per year in 1974, double the per capita income of the second nation in Latin America, Argentina.

Oil riches are the principal factor behind Venezuela's new prominence in international affairs, but not the only one. Another is political stability. In 1974 Venezuela seated her fourth democratically elected president in a row, and effected a second alternation in the political party in control of the presidency. Venezuela's democracy is still fragile, but it is a source of pride to Venezuelans. That came out in virtually every conversation I had in Caracas in the spring of this year, with government officials,

[1] Manuel Pérez Guerrero, 'Energy, Styles of Life and Distributive Justice', *The Journal of Energy and Development*, Autumn 1975, p. 38.
[2] Billion = thousand million.

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journalists and people from the private sector. Venezuelans feel that their position as one of precious few functioning democracies in Latin America adds legitimacy to their efforts to provide leadership within the region and outside it.

Venezuela's recent actions beyond her borders have taken several forms: promoter (and sometimes underwriter) of sub-regional economic groupings within Latin America, mover behind attempts at region-wide organization, and spokesman for the so-called Third World at the Paris discussions between North and South about re-structuring the international economic order. This article takes a look at Venezuela's international role, at its sources and durability, and at the domestic politics and economics which lie behind it; it will also underline the uncertainties which attach to that role.

Venezuela in Latin America and the Third World

Venezuela's active role in hemispheric and world affairs is a new one and not yet clearly defined. That role is unusual for so small a country—Venezuela has but 11 million inhabitants—and it is slightly unnerving. As one senior Cabinet Minister put it when we talked in Caracas this spring: 'When I go to an international meeting, I don't like to sit at the head of the table. I would prefer to share leadership.'

The ineptitude of the Venezuelan Foreign Ministry is testimony to how little concerned with foreign affairs Venezuela has been until recently. Diplomatic jobs have been rewards for the party faithful and pastures for by-passed politicians. The sorry state of the Foreign Ministry was a subject in most of my conversations in Caracas, often accompanied by envying references to the professionalism and continuity of the Brazilian Foreign Ministry, Itamaraty. Venezuela compensates for the weakness of her Foreign Ministry by excluding it from all but routine diplomatic niceties. Serious foreign policy issues are parcelled out to other agencies of government: regional economic issues to the Finance Ministry, oil policy to the Ministry of Mines and Hydrocarbons, Third World economic issues to the elder statesman, Manuel Pérez Guerrero, serving as Minister of State for International Economic Affairs.

Venezuela's foreign initiatives can be grouped along three lines. Efforts in each line were begun by the Social Christian (COPEI) Government of Rafael Caldera, which held power from 1969 through 1973. Those endeavours have been intensified by the current Democratic Action (AD) Government, led by President Carlos Andrés Pérez, which enjoys the scope for foreign initiative provided by the windfall gains from oil.

The first line of activity is directed toward a traditional area of Venezuelan interest—the Caribbean and Central America. In 1974 the Government recycled abroad more than one-third of the country's trade

surplus and one-tenth of its GNP; a significant portion of that money went to Venezuela's neighbours.[3] Caracas entered into long-term commitments with both the Caribbean Development Bank and the Central American Bank of Economic Integration, and offered Central American governments money to hold coffee stocks off the market in the hope of higher prices. Venezuela was reluctant to enter the bilateral aid business but did agree to loan each of the Central American countries part of her expenditure on Venezuelan oil; these agreements run through 1980.

Such financial measures are more than manifestations of Venezuelan philanthropy, for Venezuela clearly worries about events in the Caribbean, including Guyana (formerly British Guiana). In my conversations in Caracas, the same images of the Caribbean recurred: small islands, separated from Venezuela by more than language, not quite viable economically, racially troubled and governed by questionable leaders. From various accounts, Venezuela already has sent warships once to the waters off Curaçao, when rioting crowds threatened a refinery which processes Venezuelan petroleum. Venezuela continues to lay claim to two-thirds of Guyana, a fact which adds proprietary interest to concern over the uncertain politics of an adjacent state. With Venezuelan activism in the Caribbean and Central America and with the growing dependence of those states on Venezuelan oil and concessional financing has come resentment directed at Caracas. Eric Williams, the Prime Minister of Trinidad and Tobago, provided a strong but exaggerated expression of those feelings: 'The Caribbean is being re-colonized, this time by Venezuela.'[4]

Venezuela also has become influential within Latin America as a whole. The exercise of that influence is a second thread in Venezuelan foreign policy. Oil revenues provide the wherewithal for economic diplomacy—for instance, Caracas agreed to establish a $500 m. trust fund within the Inter-American Development Bank—and Venezuela's political influence in the region has been magnified by the inactivity of likely competitors for leadership, with Argentina in internal turmoil, Brazil reticent about regional solidarity and Third World politics, and Mexico between presidents.

Venezuela, the target of a Cuban-sponsored guerrilla insurgency in the 1960s and the nation which called for Organization of American States (OAS) sanctions against Cuba, was in the 1970s at the forefront of the Latin American nations seeking an end to those mandatory sanctions. That reversal of position in a decade reflected not only an altered perception of Castro Cuba, but also Venezuela's increased self-confidence and her growing interest in regional politics. With Mexico, Venezuela was a

[3] For a general discussion of these efforts, see Norman Gall, 'The challenge of Venezuelan oil', *Foreign Policy*, Spring 1975, pp. 51–2.
[4] Quoted in *Latin American Report*, September 1975.

prime mover behind a major new effort at Latin American co-operation: the Latin American Economic System (SELA), established in 1975 by 25 Latin American states, despite some reluctance on the part of Brazil and Argentina.[5] Although it is too early to assess SELA's impact, it is distinctive in several ways. The organization is, by conception, *Latin* American, not *inter*-American: Cuba is a member while the United States is not. It approaches regional co-operation through concrete projects, negotiated by interested member-states, not along the traditional path of formal negotiations aimed at tariff reduction and other agreed rules of economic intercourse. The limited results of the Latin American Free Trade Association (LAFTA) testify to the obstacles along the traditional path.

Venezuela has become a member of the Andean Pact,[6] overcoming the initial qualms of her private sector. For the moment, the Pact looks unpromising, with all its members save Peru more often expressing reservations than enthusiasm. While all the officials I talked to in Caracas expressed support for the Pact, I detected no inclination to finance it on a large scale, to become the West Germans of Latin American regional organization. Still, the Andean Pact may serve, in a more modest way, as an expression of Venezuela's regional interests. (It might also, at some point, become the focal point for Spanish-speaking states organized as a counterweight to Brazil; Argentina's flirtations with the Pact in the last few years have suggested such an interest.)

The third, and potentially most important, line of Venezuela's activity is her advocacy of Third World positions with regard to international economic issues. That role is symbolized by the Third World's selection of Pérez Guerrero as its spokesman in the current Paris discussions between North and South about the future shape of the international economic order. Those discussions are seen by Caracas as extremely important. Venezuela has matched approving words for Third World nations with concrete actions. One example is financial assistance to importers of Venezuelan oil in the region. Another is Venezuela's willingness to finance producer cartels among Latin American exporters of coffee, bauxite, sugar and bananas.

While Venezuelan officials repeatedly have expressed their intention not to use oil as a political weapon—indeed, Venezuela increased her oil exports during the 1973 Arab embargo—they have just as often indicated their determination to use oil as an *instrument* to achieve Third World economic aims. That language reflects a belief that without an oil crisis the North would not have agreed to a dialogue with the South. One

[5] For a Venezuelan perspective on the founding of SELA, see 'Gracias a los forceps de México y Venezuela pudo nacer el SELA', *Resumen* (Caracas), 25 January 1976.

[6] For background, see F. Parkinson, 'Power and planning in the Andean Group', *The World Today*, December 1973.

Cabinet Minister suggested that if the Paris discussion bore fruit, history would remember OPEC primarily as what made those discussions possible. Or, as President Pérez put it in our conversation: 'I believe that what seated the developed and developing countries at that conference table in Paris was petroleum.'

There are clear reasons for Venezuela's interest in Third World issues. One is a bitter sense of the inequality of the international economy borne of a decade and a half of frustration in attempting to secure a better deal in the United States for Venezuelan oil. Having dramatically reversed the terms of her foreign trade, Venezuela nevertheless retains an obvious interest in other Third World aims: improved access to the markets of the industrial world, tariff preferences and easier access to foreign technology. To a degree, no doubt, Venezuelan stands on those issues serve to dampen the resentment of poor countries hit hardest by higher oil prices. That motivation also underlies Venezuela's relative generosity in making oil revenues available to importing countries—for instance, through her loans to the Central Americans.

Oil and the United States connexion

Oil remains the cornerstone of the Venezuelan economy and of the Government's foreign policy. In 1974, oil accounted for 96 per cent of Venezuela's export earnings and 37 per cent of her gross domestic product. Oil is also the basis of Venezuela's close ties with the United States, which takes about half of all Venezuela's exports (and a larger fraction of her oil) and provides about half her imports. There is a paradox in Venezuela's position as a leader of the South but at the same time a state deeply connected with the principal power of the North. Oil is only the clearest manifestation of the extent of those connexions.

For the moment, the oil link is satisfactory enough for both parties. The United States needs the oil, and Venezuela, needing to sell it, has no other comparable market. Moreover, decades of foreign control of Venezuelan production and of selling oil to the United States have bound Venezuelan production tightly to the pattern of American consumption. In 1975, the problem for Venezuela was getting the American companies to agree to buy enough oil at OPEC prices. In the end they did, and Venezuelan production stabilized at 2·2 million barrels per day, down from a daily average of 3·4 million barrels in 1973. The drop reflects natural decline in ageing fields, conscious conservation by the Andrés Pérez Government, and decreased demand in the lagging industrial economics. Most Venezuelans I talked to regarded the 1975 experience as exceptional. With economic recovery in the industrial countries demand for Venezuelan oil will increase. The Government in Caracas discounts the possibility of a break in OPEC which would drive prices down. At present prices and production rates, Venezuela's proven reserves (18·3

billion barrels) will last twenty years. New finds are possible, and high prices may make it feasible to tap the estimated 700 billion barrels of the Orinoco tar sands. Recovering oil from the sands will be extremely expensive, but it may be cheaper than the exploitation of other of the world's unconventional sources of petroleum, such as American shale or Canadian sands.

For the next few years, Venezuela's oil problem will be maintaining production at acceptable cost. That task is now her own. In the wake of the 1973 crisis, Venezuela advanced the planned 1983 nationalization of her foreign (primarily American) oil industry, foreshadowing nationalization thrusts by the Arab OPEC members. The transfer, generally amicable, took place on 1 January this year, raising the immediate question of whether Venezuela can manage her oil industry and find the capital for expansion. Six months after the take-over, Venezuela's prospects look good, yet the costly failure of the state-run petrochemical industry stands as a caution. The international oil companies will continue to market Venezuelan oil; they may also provide technical assistance, under a politically controversial article (Art. 5) of the nationalization law. Recognizing its technical deficiencies, the Venezuelan Government has embarked on a programme of foreign training unprecedented in Latin America; at the beginning of this year 12,000 Venezuelans were studying abroad, in agriculture as well as mining and engineering. Foreign training will be of little immediate help, and it is not an answer over the long run, but it will provide a boost to the economy in the medium term.

While Venezuela's relations with the United States are generally good, irritants remain. The most galling of those is the so-called 'anti-OPEC' clause of the 1974 American trade Bill. That clause lumps Venezuela who did not participate in the 1973 embargo with the Arab members of OPEC who did, and hence discriminates against non-oil exports by Venezuela to the United States. At present the real effect is trivial, since Venezuela exports almost nothing but petroleum to the United States, but the resentment provoked in Venezuela is not.

The current Government, like its predecessors, aims to reduce the dependence of the nation's economy on oil and to diversify its pattern of foreign trade away from the United States. Paradoxically, the short-term effect of the oil bonanza has run against both those objectives. The multiplying of oil prices has made oil more, rather than less, important to the nation's economy. It has done the same for oil exports to the United States, with no change of principal customer in the offing. And the effort to expand and diversify the economy, spurred by oil revenues, is a voracious consumer of technology and capital goods imported from the industrial nations, in Venezuela's case primarily the United States. American exports to Venezuela rose by 70 per cent in 1974; the upward trend is likely to continue, albeit at a lesser rate.

Oil and the limits of domestic politics

Oil lies behind recent Venezuelan initiatives beyond her borders, but oil has long been at the centre of domestic politics.[7] Oil revenues have provided a margin vital to the maintenance of democracy in a continent where state after state has turned to a military-dominated authoritarian regime. More money has made it possible to resolve conflicts among the demands of domestic groups by responding to them all (though in vastly varying measure) and has permitted technical solutions in place of redistributive ones. Until now, government performance has kept at least one step ahead of domestic demands. Whether it can continue to do so is another matter. The windfall from oil has expanded capabilities, but so has it fed the expectations of Venezuela's citizens, especially her poorer ones.

When democracy was re-established in Venezuela in 1958, the leaders of the Democratic Action (AD) movement gave precedence to the system's preservation over social reform.[8] Compromise became the overriding style of the governmental process, while oil ensured that the system would work tolerably well for all (or most) citizens. Older social patterns persisted alongside new ones: for instance, the reformist Democratic Action party is also the party of the private business establishment, but the system rarely forces the party to a show-down between governmental objectives and private interests.

The limits imposed by the nature of the political process constrain foreign actions as well as domestic policy. The Venezuelan–Colombian boundary dispute of long standing is a case in point.[9] A negotiated settlement would seem possible, notwithstanding both the possibility that the disputed sea may contain oil and the qualms of the armed forces on both sides. The Venezuelan AD Government will not settle without a domestic consensus in support of any agreement; the symbol of that consensus, and the Government's condition for settling, is the assent of the opposition, COPEI, which thus acquires a veto. The importance of consensus was also illustrated by the controversy over article 5 of the oil nationalization law. The Government used its parliamentary majorities to push the article through, but it did so only after a prolonged attempt to get COPEI to sign on. The opposition stand hardened during the row, and any

[7] For a discussion of the development of the Venezuelan oil industry and of oil's role in domestic politics, see Franklin Tugwell, *The Politics of Oil in Venezuela* (Stanford, Calif.: Stanford University Press, 1975).

[8] On this and other aspects of recent political history of Venezuela, see Daniel Levine, *Conflict and Political Change in Venezuela* (Princeton: Princeton University Press, 1973). Also 'Venezuelans Choose Freedom' (Note of the Month), *The World Today*, February 1958; and Edwin Lieuwen, 'Political forces in Venezuela', *ibid.*, August 1960.

[9] For a detailed description of the dispute from the Venezuelan perspective, see Jorge Olavarría, 'Una interpretación tímida de una proposición interesante', *Resumen* (Caracas), 10 August 1975.

attempt to use the article to enter into major agreements with foreign oil companies will spark new partisan disputes. Offers from both the United States and France to participate in the development of the Orinoco sands were spurned in 1974.[10] Yet developing Orinoco will require foreign involvement on a massive scale.

The costs of the Venezuelan political process are no less obvious than its limits. For all her oil riches, Venezuela remains a poor country. The economic pie has grown but the share of Venezuela's poorest citizens has not; the lowest fifth of the population receives only 3 per cent of the national income, a figure which has not changed in two decades and which is slightly worse than the Latin American average. During the 1960s, per capita growth rates in Venezuela averaged 1·3 per cent, compared to a Latin American average of 2·4 per cent. The shanty towns which cover the hills around bustling Caracas stand as testimony to the continuing inequalities of Venezuela's economy and to the straits of her poorest citizens.

The present Government's effort to diversify the economy is backed by the wherewithal from increased oil revenues. The planning target for public investment over the next five years is in the neighbourhood of $30 billion, half of it in the industrial sector. Industrial expansion will centre in the Guyana region of eastern Venezuela, far from Caracas but rich in iron ore and water power, requisites for steel and other heavy industrial production. Iron ore extraction, formerly completely in the hands of foreign companies, was nationalized the year before petroleum; it has been incorporated into a regional development corporation, the Corporación Venezolana de Guyana, Venezuela's best-run state enterprise. In Guyana the evidence of boom is everywhere: the wild landscape is broken by giant factories and by the geometric spread of planned cities.

Venezuela will not lack resources in the expansion effort. While the economy will soon be able to absorb the increased oil revenues and the country will again become a net debtor in the international credit market, Venezuela will have access to enough foreign financing for both internal programmes and selective use of loans abroad. What the country may lack over the medium term are the technicians and managers necessary to operate a more diverse economy. More important, Venezuela is committed both by governmental inclination and by the nature of her resources to a capital-, rather than a labour-intensive, pattern of industrialization. In 1974, for example, petroleum accounted for 37 per cent of domestic product with only 37,000 employees, while agriculture used 19 per cent of the labour force to produce 5 per cent of GNP. Steel and aluminium production are nearly as capital-intensive as petroleum. Industrial expansion will not do much, soon, to reduce unemployment and underemployment in Venezuela's *barrios*.

[10] Reported in *Latin America* (newsletter), 5 April 1974.

At present, however, discontent among Venezuela's poor remains latent and poses little threat to a Democratic Action Government whose victory in the last elections gave it commanding majorities in both houses of Congress. Parties of the Left have never been strong in Venezuela; the current contender, the Movement Towards Socialism (MAS), which began as a dissident Communist party, received 4½ per cent of the vote last time around, and the number of its adherents probably will increase. But its position is a goad to the Government to 'more, better and fairer', rather than a radical alternative.

Nor does the military establishment pose a threat to the governmental process. In effecting the striking transformation of Venezuela's military-dominated governmental history, the democratic leaders have been careful to give the military their prerogatives within their domain.[11] Certainly the experiences of hemispheric colleagues cannot have been lost on Venezuelan officers, and there appears to be a group of young military technocrats who are tempted by the 'Peruvian model' of military-directed social and economic change.[12] Yet it would take a dramatic break-down of the Venezuelan political process to bring about an active military attempt to influence government actions, let alone an intervention in the civilian process.

The current configuration of domestic politics permits the Government considerable freedom to pursue its external objectives. There is, of course, the constraint imposed by the imperative of consensus. And there has been some grumbling about the foreign uses of oil revenues as 'give-aways', but that criticism will wane with the amount of Venezuelan largesse.[13] If AD's last electoral victory ushers in another period of dominance like that which the party enjoyed in the 1960s, there will be pressures from groups which feel disenfranchized, and those criticisms may wash over foreign as well as domestic policy. Looking further ahead, there may come a time when Venezuela's Third World objectives will conflict directly with the country's close relations and business connexions with the industrial nations, especially the United States. But that time is not yet.

[11] However, the armed forces are not especially large—around 40,000. Defence spending—$494 m. for 1975—amounts to a little over 2 per cent of GNP; it has not risen commensurate with the growth in oil revenues. For statistics on Venezuela's armed forces, see *The Military Balance, 1975–1976* (London: IISS, 1975), p. 67; and *International Defense Business*, September 1974.

[12] Discussed in *Neue Zuercher Zeitung*, 11–12 October 1975.

[13] In fact, only a fraction of Venezuela's international lending during 1974 and 1975 was made on concessional terms; most of the loans were good business as well as good politics. Recycling the windfall oil revenues abroad was necessary to insulate the domestic economy from tremendous inflationary pressures; most of the recycling took the form of short-term international reserves.

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American presidential and party politics: changes in spirit and machine

GODFREY HODGSON

PERHAPS the clearest thread in the chaotic tangle of this year's presidential politics, so far, is the revolt of the hinterland against the dominance of Washington and New York. You can give that revolt all kinds of names. You can see it as a new phase of the rebellion of Middle America, or of the Silent Majority, or, as Samuel Huntington put it, as the opposition of the Establishment and the Fundamentalists. You can trace it a long way back into American history, if you want to, and say, as one Washington friend of mine did, 'This is going to be a very Jacksonian year.' You can attribute quite a lot of it to disillusionment, first with the Establishment liberals, and then with their enemies: in short, to disillusionment with Vietnam and with Watergate. You can say that the majority of Americans have watched first the liberals, and then the radicals, and finally the conservatives fail, and even make fools of themselves. The result is scepticism about ideology; cynicism about politicians; revulsion from 'the mess in Washington'; disinterest in foreign policy, or at least in traditional alliance policy; disillusionment, above all, with the new, expanded, quasi-monarchical presidency which was created by Franklin Roosevelt, which had its Virgil in Mr Theodore H. White, and its Octavius in John F. Kennedy.

That thread is the clue to many of the things that have already happened in this more than usually puzzling presidential year. It explains, for example, even some phenomena which superficially seem to contradict it, such as the relative failure of Governor Wallace: poor George Wallace has been part of the political scene so long as a Destroyer from the hinterland that people have got used to him. (The final irony may be that he has become part of the Establishment, at least in the minds of the Fundamentalists!) More plainly, it is this mood which explains the collapse of the McGovern wing of the Democratic party, *and* the eclipse of the old politicians like Senator Hubert Humphrey; it explains the resuscitation of Ronald Reagan, *and* the meteoric appearance of Governor Jerry Brown.

That, perhaps, is the major theme. It is, if you like, the Spirit of 1976. It is not a simple theme to analyse. It contains elements that are con-

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servative and even reactionary, and elements that are populist and even futurist. It is an impulse as old as American politics: the desire to throw the rascals out, the revolt of buckskin and wool hats against silk stockings and powdered wigs. At the same time, it is intimately connected with the way in which mass media, and especially television, are superseding other traditional ways by which the politician communicates with the people. It contains sinister implications, to the extent that it does seem to be connected with a growing indifference on the part of many Americans to their own government and public life; a retreat from reality to the swimming pool and the football game on television. But it also has its heartening side, because it is connected with a new awareness of the selfishness of some of the interests which have dominated American politics in the past. It does promise, perhaps, a more truly democratic political system. This new mood is, I suspect, especially hard for a Chatham House audience to understand, because British journalists, academics, and government officials, tend to have contact with the executive branch of the Federal Government in Washington rather than with the diversity of American life in the hinterland; with the Establishment, in short, rather than with the Fundamentalists. In Britain we are, perhaps, too quick to be alarmed by all the Americas we don't know.

There have been changes in the spirit of American politics. Those are the changes the commentators and the columnists find it easiest to write about, and I'm not saying they are wrong. But there have also been other changes which are superficially less exciting: rapid and substantial changes in the machinery of the electoral system. If these are a bit complicated and technical, they are not necessarily therefore unimportant.

The ground rules for this presidential election of 1976 have changed so much from the ground rules of 1960, which still tends to be the standard against which Europeans, in particular, measure presidential elections, that the techniques and tactics of 1976 bear very little resemblance to those of 1960.

There have been three main areas of procedural change. The first was the dramatic increase in the number of primaries, reinforced by certain subtle but important changes in the nature of primaries. The second was the radical changes in campaign financing consequent on the campaign finance act of 1974. And the third was the complex process of change in the delegate selection process, especially in the Democratic party.

Proliferation of primaries

The most startling change of all is that there were almost twice as many primaries this year as there were in 1960. In that year there were actually 16 primaries, of which only eight were meaningful. The rest were what the politicians call 'beauty contests': presidential preference

primaries with no binding effect on delegates at the nominating convention. In 1972, 23 States held primaries. This year it was 31. There are many reasons for this proliferation of primaries. Some States have openly declared in the preamble to the statutes establishing primaries that they hope the resultant publicity will encourage tourism! But in general the major reason is certainly a widespread feeling that the electorate should take part in the selection of the candidate in the most open and public way, and that the caucus system, the alternative way of choosing delegates for the nominating convention, smacks too much of the bad old days of bosses and brokers and smoke-filled rooms.

The corollary of this increase in the number of primary elections, of course, is a corresponding decline in the number of States which choose their delegates for the nominating convention by the only alternative method, which is the caucus system. It is far older. Primary elections were an invention of the first years of this century: the first presidential primary was in Wisconsin in 1904, promoted by the elder La Follette, and it was in 1912 that presidential primaries first had a major impact. (That was the year of the Bull Moose campaign, when Theodore Roosevelt, campaigning against William Howard Taft, won nine out of the twelve primaries, and still failed to win the nomination.)

Rules for State conventions under the caucus system vary. The Democrats have imposed more stringent reforms than the Republicans. So Democrats in caucus States hold conventions at every level, from the precinct, where as few as a couple of dozen people may be present, up to the State-wide level. At each level, the convention is supposed to send on delegates to the next highest level by proportional representation.

Even so, popular participation in caucus States is at best significantly lower than in primary States. In Iowa, for example, where Jimmy Carter won his first triumph this year, a victory which was of considerable significance in terms of attracting the attention of the national media, the participation was probably well under 50,000. At worst, there is still a suspicion that caucuses can be rigged by professional politicians and 'the courthouse crowd.' In 1972, the McGovern campaign outplayed the professionals at their own game, and lined up massive support in caucus States where their middle-class, peace movement workers showed they could manipulate local politics with the best. It was a victory which left a doubtful taste in many mouths.

Because it seems old-fashioned, therefore, and also because it probably is really less democratic in most cases, the caucus system has been losing ground to the primary for many years. But the really decisive shift in this respect has come only since 1972.

In 1968, the 34 States which used the caucus system sent 51 per cent of the delegates to the Democratic convention, and 53 per cent of those to the Republican convention. In the 1968 primaries, more than 70 per

cent of the delegates chosen were for either Robert Kennedy or Eugene McCarthy, yet Hubert Humphrey took the nomination by his strength in caucus States. There was a widespread feeling that the barons of the old régime had stolen the party from the insurgents. In 1972, there were 28 caucus States, and they still sent one third of the Democrats, and two fifths of the Republican delegates to Miami. The insurgent Democrats managed to turn the caucus system against their conservative opponents, but that was still not much better. This year, fewer than 30 per cent of the Republican delegates will have been chosen by the old method. Under one quarter of the Democratic delegates in New York City came from caucus States, and those, too, survived a heavily reformed version of the caucus system.

There is no need to go in any detail into other changes in the primaries themselves. Essentially, there are now three kinds of primaries. There are those in which a presidential preference contest, important only for its public relations impact, is quite separate from the selection of delegates. Secondly, there are presidential preference primaries which also determine the apportionment of delegates on a proportional basis. The old 'winner-take-all' primary has been abolished. Severe limits have been set on the number of 'at large' delegates who can be appointed by State office holders or by other non-electoral means. Thirdly, there is direct election of delegates. There is one problem about this. If direct election is done by congressional districts, in the so called 'loophole primary,' there are in effect so many separate elections. The candidate with the strongest organization is in a position to do extraordinarily well. The result does approximate to a 'winner takes all' primary. Something like this happened in New York, where Senator Henry M. Jackson, well financed and with a great deal of help from labour unions, was able to do extremely well in most of the 39 separate districts.

Two general effects can be noted. The first is that the proliferation of primaries has put a great strain on candidates: on their physical stamina, on their organization, and on their finances. As we shall see, the strain on their finances is exacerbated by special circumstances this year.

The second effect has been to even up the chances, to slow down the front runner. At first glance, the Carter campaign would seem to disprove this point. But the fact is that it was impossible for Carter to come into the convention with enough delegates *won in primaries* to win the nomination on the first ballot. Carter arrived in New York for the convention as a certain winner. But that is because—in spite of impressive last-minute competition from Governor Brown and Senator Frank Church—the opposition collapsed. In any case, Carter's victory should be seen in perspective. Until he was edged out of first place in Nebraska in late May, Mr Carter had won all but two of the primaries. Under the circumstances of 1960 or 1968, he would have won by early June. As it

was, in the six primaries on 8 June, he was more severely tested by Brown and Church than he had been since the winter.

As one former national campaign manager put it to me recently, the proliferation of primaries helps to explain the Carter phenomenon, because 'Carter went out for them all. The others tried to single shot.' Those candidates who endeavoured to be too organized, he argued, and he mentioned Senator Jackson as an example, found that the degree of forethought and organization possible for, say, Kennedy in half a dozen key primaries in 1960, was simply not possible in 30 primaries in 1976.

Changes in campaign financing

The second big change is the relative shortage of money. There has been concern about the extreme expensiveness of American political campaigns for many years, and that concern increased as the cost went up. By 1972, the cost of television advertising, in particular, and its growing importance in campaigns, had escalated to the point where a State-wide campaign for Governor or Senator in a single major State could easily cost $1 m.

Apart from anything else, this put politicians heavily in debt to individual fat cat contributors. W. Clement Stone, the Chicago insurance man, and Richard Mellon Scaife, of the Pittsburgh family which controls Gulf Oil and United States Steel, both contributed more than $1 m. each to Nixon's re-election campaign. While individuals made such contributions out of ideological conviction and public spirit, most big contributors wanted something for their money, even if it was only an ambassadorship or an invitation to the White House. All too often, the quid pro quo was far more solidly pecuniary than that. And the problem was not limited to Republicans. Even liberal Democrats found that one of the first duties at the beginning of a campaign was the ritual procession to fund-raising dinners where at the very least they would be obliged to make rigid commitments about their policy towards Israel, and sometimes to make less respectable commitments to business interest groups.

Campaign finance was already, in fact, a more or less open scandal by 1972. The McGovern campaign, like George Wallace in 1968 before them, achieved some success with direct mail campaigns, raising money in dribs and drabs from large numbers of individual voters. But even the most energetic efforts of this kind could not eliminate the advantage of the candidate with fat cat backing.

Then came Watergate. And in 1974 Congress passed a campaign finance act which not only went much further than anything likely to have been proposed before Watergate: in some respects it has gone so far as to make campaigning of the kind that has come to be considered traditional impossible. The two main elements of the reform were an

overall limit of $1,000 on individual contributions to any one candidate, and the decision to provide matching finance from public funds for up to $250 of each individual contribution.

The stage seemed set for a new, much fairer campaign, in which the advantage of incumbents or of the candidates of well-known interests or machines over outsiders would be drastically reduced. This produced the expected result when some 14 Democratic challengers declared themselves. The expectation was that the campaign would be crowded and confused, and that the convention might even be deadlocked as a result.

One reason why this hasn't happened was that, on 30 January, the Supreme Court struck out several provisions of the campaign finance act, Public Law 93–443, and in effect extensively revised the statute. In March, all Federal matching funds were frozen. The situation for many candidates was catastrophic. They had spent money on the understanding that they would be able to claim Federal matching funds after the election. Not until 4 May—the day President Ford was beaten by Ronald Reagan in three primaries, in Georgia, Alabama and Indiana—did the Senate and the House of Representatives succeed in reaching a compromise on a new bill. By that time there was no possibility that matching funds would be available until after the last three primaries in three big States, Ohio, New Jersey and California, on 8 June.

As a result, according to sworn affidavits filed with the Supreme Court, by late May the financial situation was already catastrophic for several candidates: Fred Harris, the popular former Senator from Oklahoma who was campaigning from his own home, had his telephone disconnected because no Federal money was definitely on the way. He was owed $100,000 in public money, but he had to drop out of the race. Congressman Morris Udall, owed more than $300,000, had to cut his campaign spending by almost one half. Senator Jackson, with more than $250,000 frozen, had to drop out of the race, specifically pleading shortage of money. Even Ronald Reagan, with some $2 million in the pipeline from the Federal Elections Commission, some of it already approved, and the rest awaiting certification, was significantly short of money. He was also said to be more than $1 m. in debt.

The obvious effect of the Supreme Court's attack on the new election finance statute was to eliminate or critically handicap the campaigns of less well-financed candidates, which generally means liberal candidates. At the same time, money has generally been short this year for political campaigns, quite apart from the problems of the new Federal financing system. The economy has been in recession, for one thing. For another, disillusion with politicians, of all stripes, has become widespread since Watergate.

All candidates have felt these difficulties. The one who has felt them least has been President Ford, who has been able to use his

office to project himself in the traditional manner of incumbents, travelling round the country to make 'non-political' speeches, going on television to talk about 'non-political' news developments, and using his office to make headlines. He has not, however, done so particularly effectively.

Only Jimmy Carter has been able to avoid most of the damage, largely because of the dedication and enthusiasm of a handful of his backers, reinforced recently by the bandwagon effect of the impression that he was going to be the winner. On several occasions he has flown a Boeing 727 of his supporters from Atlanta, paying their own charter fare, to inundate a State with Carter workers before a primary vote.

One last general effect of the shortage of money deserves separate mention. Television advertising is noticeably down. Candidates have to make their impact on television through the news, not through paid advertising.

Altered selection rules

The third great change has been in the rules for delegate selection. The issue has affected, indeed tormented, the Democratic party,and left the Republicans relatively unaffected. In December 1971 a lady called Anne Armstrong, then co-chairman of the Republican party, and now Ambassador to the Court of St James, said scornfully: 'Many of the reforms the Democrats are just now getting round to discussing were accomplished without fanfare years ago by our own party.'

Without going too closely into the literal truth of that statement, or making invidious comparisons between the Democrats and the Republicans, one can say that reform of delegate selection became a critical issue for the Democrats because of their peculiar hybrid composition. As a party compounded of white southern conservatives and northern liberals with substantial and strategically located black support, they were acutely conscious of the excessive *whiteness* of their image when in convention assembled. Later they became aware, and were made aware, of the excessive preponderance of middle-aged, upper-middle-class, white Anglo-Saxon Protestant—and Irish Catholic—males. In part, at least, the conflict was over increasing the proportion of blacks, women and young people at the convention. More generally, it was about taking presidential nominating politics out of the hands of a professional political class.

The under-representation of blacks first became a serious issue at the Atlantic City convention in 1964, when Lyndon Johnson failed to contain an angry dispute over the seating of two rival delegations from Mississippi. In 1965 a Special Equal Rights Committee was set up under Governor Richard Hughes of New Jersey, which reported in 1966. It did not call for quotas, but it set six standards with the explicit

intention of ensuring that delegates should be 'broadly representative of Democrats in the State' from which they came.

In 1968, a commission on the Democratic Selection of Presidential Nominees, chaired by another Hughes, Harold Hughes, Governor of Iowa, recommended an important reform, the abolition of the unit rule, which greatly reduced, without, however, quite destroying, the power of party bosses to 'throw' their votes. Many of the Hughes commission's reforms were adopted by a rather narrow vote in the anger and confusion of the Chicago Democratic convention.

In February 1969, in the wave of disillusion brought about by Senator Humphrey's razor-thin defeat by Richard Nixon, and also by the resentment against what was seen as manipulation by Humphrey, President Johnson, Mayor Daley and the Old Guard of the party, a new reform commission was set up, under the chairmanship of Senator George McGovern. After Senator McGovern became a leading contender for the nomination, he was replaced as chairman by congressman Don Fraser of Minnesota, and the commission is generally called the McGovern–Fraser commission.

It is not unfair, I believe, to see the handiwork of the McGovern–Fraser commission as a classic instance of the contradiction which beset American political liberalism in the late 1960s and the early 1970s. The contradiction was between two principles, both dear to the liberal heart, and both no doubt desirable in themselves: the principle of maximum participatory democracy, and the principle of compensatory action, or affirmative action, to remedy inequality.

The commission called for 'affirmative action' to encourage representatives of 'minority groups, young people and women in reasonable relationship to their presence in the population of the State.' On the other hand, it called for no fewer than three-quarters of the delegates to be selected at a level no higher than their congressional district. While it was stated that 'the mandatory imposition of quotas was not intended,' in effect the conflict was between that composition of delegates which would result from election, either by primary or by the caucus system, in the State; and an approximate quota for the representation of women, blacks and other minority groups, and young people. The result was inevitable, and chaotic. In all there were 82 challenges to more than 40 per cent of the delegates, culminating in three bloody battles over delegates from California, Illinois and South Carolina. In each case, understandably, the McGovern forces which controlled the convention, imposed the solution advantageous to themselves with a heavy hand.

The issue of the 'McGovern rules,' and of delegate selection generally, was bitterly divisive. Conservative Democrats, and in particular the labour unions, most of which were on the conservative side in these battles in 1972, resented many things about the delegates, particularly

the fact that many of them were young unknown people who had done little or no work for the party before: while veteran leaders like Mayor Daley, or I. W. Abel of the Steelworkers Union, for example, were not delegates at all. The fact that McGovern, not altogether coincidentally, won the nomination under his own rules only increased the fury of his opponents. His obliteration in the autumn made it certain that the McGovern rules would be at least modified, and perhaps abandoned.

In fact what happened was a compromise. Yet another commission was appointed. At first it was chaired by Leonard Woodcock, of the United Auto Workers. In January 1973, he was replaced by Barbara Mikulski, a member of the Baltimore city council. The Mikulski commission finished its work in October 1973. Twenty new rules were established. In general, they were in the direction of a more open, less 'power-brokered' convention: some of them merely restated McGovern–Fraser rules. There was to be proportional representation at all levels, for example. Winner take all primaries were abolished. Cross-over voting (by which Republicans and independents could vote in Democratic primaries) was abolished. (Cross-over voting still happens in Republican primaries.) It had an important effect in the Texas primary on 1 May, when Wallace voters helped Reagan to beat Ford. All delegates must identify themselves by their candidate preference, or run as uncommitted—another reform which made it harder for State party bosses to 'swing' blocks of captive delegates. But on the crucial issue of quotas, the Mikulski commission went back on the McGovern position. There were to be no quotas.

There were several other bitter disagreements between the McGovern wing of the party and the conservative wing, led by COPE, the Committee on Political Education of the labour federation AFL/CIO.What is important is that in December 1975 the party held its charter commission in Kansas City. There yet another compromise was worked out. There were indeed to be no mandatory quotas for women, blacks, and so on. But the rules were not tightened so as to make challenges to delegations by minorities any harder.

The dramatic change in the composition of the Democratic national convention over the past dozen years is illustrated by some statistics. In 1964, 55 per cent of the delegates at Atlantic City were party officials, and 37 per cent public officials. In 1972, in Miami, only 10 per cent were in any way professional politicians. In 1968, 5·5 per cent of the delegates were black. In 1972, 15 per cent were. In 1968, only 4 per cent of the delegates were under 30. In 1972, 21 per cent were. In 1968, only 13 per cent of the delegates were women. In 1972, 40 per cent of them were.

The proportion of women, of members of minority groups, and certainly the proportion of professional politicians, was closer in 1976

to the 1972 levels than to those of 1964 and 1968. In that sense, and it is after all the one that counts, the insurgency of the 1960s has not subsided without leaving a profound trace on the Democratic party, even if the policies advocated by Robert Kennedy, Eugene McCarthy and George McGovern in 1968, for example, will find relatively little support in 1976.

Conclusions

What general conclusions can we draw about the influence of changes in the machinery on changes in the spirit of American politics? How have the changes I have described in the primaries, in campaign finance and in the delegate selection process affected the atmosphere of this year's campaign, and how will they continue to affect its results between now and 2 November?

The first conclusion, I think, is that the proliferation of primaries, the shortage of money, the progressive elimination of professional politicians from the nominating convention, all confirm one trend: the trend towards the atrophy of party. There are no political parties in America in the sense in which the words are used in Britain, say, or in Italy or West Germany. Instead one has bands of condottieri making their plans to seize rich fiefs, and rewarding their supporters with the booty.

The second is that these same developments reinforce the general tendency I discussed before: the revolt against Washington, which is also in a sense a revolt against politics.

The third conclusion is a thought put into my head by my friend Fred Dutton, himself a Californian. This is the Californianization of American politics. It is not just a matter of both Ronald Reagan and Jerry Brown emerging as serious potential candidates, at a time when to put forward any candidate from New York would be suicide. He meant that the trends in national politics now are strikingly similar to the trends which observers noticed in California almost twenty years ago: the erosion of party loyalty among voters, the reliance on the media both by candidates seeking to make contact with voters and by voters seeking signs of leadership in potential candidates.

Which brings me to a final thought, and to a timid prediction. The irony is that in a year when the great theme is revolt against the East Coast Establishment in Washington and New York, all the trends reinforce the growing power over the presidential process of the media, and especially of the nightly half-hour network news shows. Now, those shows are based in New York. Their attitudes are deeply coloured by the standpoint of New York and Washington. A very high proportion of their material is generated in New York and Washington. They *are* the East Coast Establishment, you might even say.

Does this mean that the silk stockings will have the last laugh over the Fundamentalists after all? Perhaps. But what does seem to me inevitable is that Spiro Agnew's assault on the media will not be an isolated episode, and that the influence and conduct of the media will be the new battleground between the Establishment and the Fundamentalists.

Eastern Europe's economies in 1976-80

MICHAEL KASER

Comecon's new round of five-year plans was more painstakingly co-ordinated than for any previous quinquennium and, in the face of Western stagflation, predictably forecast greater mutual trade dependence. But the organization's annual session in July revealed continuing disagreement on the manner of integration.

PARTY Congresses and Five-Year plans go hand in hand in Eastern Europe: the Central Committee of the ruling Communist Party[1] presents a draft to the Congress, at which the Party Secretary and/or a senior government minister provides additional details on the fulfilment of the previous plan and on expectations for the next. A few observations are voiced by Party delegates, but the 'Directives' approved at, and published shortly after, the Congress normally differ little from the Central Committee's draft. The drafts of all save Albania have already been through two wheels of the Comecon mill. One is a sectoral review concentrating upon the investment projects in each plan which relate to schemes of intra-Comecon specialization or require inter-member finance: for the present quinquennium (and for the first time in such a form) an *Agreed Plan for Multilateral Integration Measures* was negotiated and subsequently signed at a Comecon Council in Budapest in June 1975. The second is the usual set of five-year trade agreements specifying the bilateral commitments between each pair of members. In contrast to these external negotiations, the real domestic bargaining takes place during the few months between the Congress and a meeting of the Council of Ministers which formulates a definitive plan for the National Assembly.

[1] Party of Labour in Albania, Workers' Parties in the GDR, Hungary and Poland.

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This internal dealing between plan offices, ministries, industrial associations and enterprises essentially takes as a datum the key targets and relationships embodied in the Congress directives and the commitments to Comecon partners on trade and international flows of capital and labour.[2] It can, however, result in some divergences between the Plan Law as enacted by the National Assembly and the original directives. The Soviet Plan for 1971–5 was, for example, noticeably tautened (i.e. more outputs being required for the same inputs) in its passage from Party Congress to Supreme Soviet; one of the four Plans that have gone through all stages for this round, the Hungarian, exhibited certain increases in output goals, whereas the Czechoslovak was amended only to a minor extent and the goals of the Romanian were lowered.

The Soviet Five-Year Plan,[3] approved by the 25th Party Congress in April 1976 and scheduled for presentation to the Supreme Soviet in September, has already been revised by the USSR Council of Ministers (on 14 July 1976), but this article is confined to the East European economies.

Yugoslavia's special case

Yugoslavia has had observer status in Comecon since 1964 and—on her present political and economic showing—will be closely linked to it by the time the five-year plans are ended. The Federal Government's proposals had been under discussion for over a year before being sent last spring to the Federal Assembly which enacted them in late July. An expansion of GNP[4] of 7 per cent per annum is forecast (with 5 per cent as a minimum), against 7·5 per cent planned and 6·3 per cent attained over 1971–5. Average industrial output should increase annually around 8 per cent (6 per cent as a minimum), and agricultural production by 4 per cent. The possibility of drawing upon peasant labour allows employment in the Plan to rise 3·5 per cent annually (but pushing agriculture's share of GNP down from 16 to 14 per cent), so that the productivity gain is 4 per cent each year under an 8·5 per cent annual increment in capital formation; personal consumption is to rise by 6 per cent per annum (within which real wages 3·5 per cent). These targets are in harmony with those for Comecon members, and Yugoslav planned preferential growth for metals and energy output suggests larger sales to the ore and fuel deficit economies of Eastern Europe. The bilateral trade agreements signed with each Comecon member in Europe for 1976–80 in fact indicate a clear expectation of more expansive

[2] Once trivial, movements of both are now significant: Comecon's *Agreed Plan* envisages inter-member capital finance of 9,000 m. transferable roubles (some $11,900 m.) in 1976–80.

[3] See A. Nove, *The World Today*, April 1976.

[4] Only Yugoslavia officially adopts Gross National Product for her plans; the other East European states, like the USSR, use Net Material Product (NMP) which excludes most services.

relations with this group ($28,835 m. in 1976–80, against $12,664 m. in 1971–5, all in 1975 prices) than with the rest of the world.[5]

Albania's handicaps

In retrospect, 1975 was a year of stormy debate on Albania's 1976–80 Plan. The Central Committee of the Albanian Party of Labour met on 26–29 May to take 'decisions on the further development of the country's economy'.[6] A follow-up editorial[7] showed that 'self-criticism' had been at issue and the emphasis in economic reports in the Press thereafter was on import substitution and the economy drive (some of it formalized as a 'discussion' of the 1976 Plan). The Chairman of the Planning Commission, the Minister of Industry and Mining and the Minister of Foreign Trade—virtually the entire economic leadership—were replaced at the Central Committee's plenary session of 10 October, although the official communiqué merely said that the meeting had discussed the implementation of decisions of the Sixth Congress and a revision of the Constitution.[8] Enver Hoxha who, according to foreign reports, triumphed over the opposition at the meeting 'made an important speech' (never published). The draft for the revision of the Constitution duly went through the Assembly, but there was then no mention of a Five-Year Plan, despite discussion of the 1976 Plan and Budget.[9] When the central committee's draft was published in July,[10] moreover, the modest scale of the targets contrasted with Hoxha's slogan of a 'frontal assault' in economic development[11] founded on 'revolutionary ambition' for every economic enterprise.

Developments during the first half of 1976 confirmed the difficulties through which economic policy formulation had been passing. At the opening of the Elbasan Metallurgical Works, Hoxha revealed that the Ministers of Agriculture and of Education had been replaced.[12] The choice of two women from the party rank and file for the posts seemed to indicate a Chinese-style shift from experts to militants: the one was a head of a co-operative farm and the other a headmistress, neither having had previous governmental or technical experience.

The draft for the Party Congress on 1 November proposes an industrial growth of 41 to 44 per cent during 1976–80 compared with the 52 per cent reached in 1971–5 (a shortfall on the 61–66 per cent planned). By contrast, farm production, at a planned 37–40 per cent increment, is to expand faster than in the past quinquennium (33 per cent); the average

[5] Plan and trade-agreement data from A. Lebl, *Financial Times*, 30 April and 11 June 1976. Dzemal Bijedic's presentation to the Federal Assembly is in *Komunist*, 26 July 1976.
[6] *Zeri i popullit*, 30 May 1975. [7] *ibid.*, 5 June 1975.
[8] *ibid.*, 11 October 1975. [9] *ibid.*, 3 and 12 February 1976.
[10] *ibid.*, 25 July 1976. [11] See editorial, *ibid.*, 29 October 1975.
[12] *ibid.*, 31 April 1976.

of 1971–5 was to have been 50–55 per cent greater than in 1966–70. Net material product balances out at an unchanged rate of growth (a target of 38–40 per cent against 38 per cent in the previous plan-period, when the goal had been 55–60 per cent). Uncertainty over future Chinese aid may lie behind the scaling-down of industrial investment and the accentuation of self-reliance, on which, however, the two countries remain ideologically in tune.

Bulgaria—Comecon's new workshop

The key target of the Bulgarian Five-Year Plan is that by 1980 the share of engineering goods in exports will reach 50 per cent. The 25–40 per cent that characterized exports from the 1960s to the present was already an achievement, and the expansion, which guarantees outlets for the planned doubling of engineering production, is geared again to Comecon collaboration and support. For this reason Bulgaria, more than any other member of Comecon, will be assured of long-term markets in the USSR and other East European states.

The draft plan appeared in two stages—'Theses of the Central Committee on the Basic Directions of the Economic Development of Bulgaria in the Seventh Five-Year Plan and to 1990' and a draft on the Seventh Five-Year Plan submitted by the Central Committee of the Bulgarian Communist Party for consideration by the 11th Party Congress.[13] The approved text was that of the draft, but subject to the proviso of further consideration by the Council of Ministers. The 'Theses' dealing with a 15-year period comprised few statistics. NMP over 1976–90 is to rise between 3 and 3·5 times, partly to be derived from more and better research and development work, the efficiency of which is to grow 4 to 5 times (this concern for higher technology is echoed in the other plans for Comecon countries). The enhancing of 'perspective' (i.e. 10 to 15 years) planning over the standard quinquennium is emphasized. Qualitative descriptions are given of the trends planned for each major sector, but virtually no quantitative data are provided. The Five-Year Plan is, by contrast, in the standard form.[14] New principles for its elaboration had been agreed in February 1975, when the main trends had been laid down and Western press reports[15] from Sofia had indicated that the theme of the plan would be modernization and reconstruction of industry, i.e. consolidation rather than new development. Over the five years, accumulation should take 28 per cent of NMP distributed, with consumption of all kinds absorbing the remainder of 72 per cent, while the NMP produced would rise 48–52

[13] See *Ikonomicheski Zhivot*, supplement, 14 January 1976 and *Rabotnichesko Delo*, 23 February 1976.

[14] Some additional data were given by Todor Zhivkov to the Congress: *Rabotnichesko Delo*, 30 March 1976.

[15] e.g. *Financial Times*, 17 June 1975.

per cent. Although the rise in living standards is the second major tenet in the draft Plan, the actual rises envisaged in real incomes per worker (20–25 per cent) and in social consumption funds (35–40 per cent) are well under the overall increment in net material product.

The structure of that product again shows a higher-than-average increment in global industrial output (55–60 per cent), of which the doubling of engineering production is clearly a major constituent. It is significant for what is said below on fuel saving that there is no target for motor cars. Bulgaria seems to be conforming to Comecon integration in specifying increments of 40 per cent for factory transport equipment (lift-trucks etc), a tripling of output of buses and a 2·5 times rise for tractors.

Agricultural output is to increase as an average of 1976–80 over 1971–5 by 20 per cent, with technology and reorganization the keywords: 40 per cent of the increment is to come from raising productivity.

The rise in the share of engineering goods in exports to 50 per cent will largely be due to the fostering of 'specialization trade' (to rise to 30 per cent of exports to Communist countries and 35 per cent to the USSR) within an overall increment of 60–65 per cent in trade turnover. This would imply less autarky, but the impact of the increase in Comecon prices of 1975 may attenuate, or even eliminate, the apparent excess of trade over NMP growth. The 21·5 per cent rise in exports in 1975 was, for example, largely based on a price rise within Comecon, as well as on the impact of world inflation on Bulgarian trade values.

Czechoslovakia—export promotion

Severe deterioration in the Czechoslovak terms of trade has lent the necessary urgency to an export-oriented plan. Not only is Czechoslovakia, like Hungary, highly dependent on imported raw materials and hence put at a disadvantage by world price trends and their reflection (since 1975) in intra-Comecon unit values, but her own price freeze, starting in 1970, was protected by her trade relations with the USSR. The keynote of her Five-Year Plan is thus the economy of materials and the expansion of foreign earnings.

An 'outline' of the 1976–80 Plan was published in advance of the 15th Congress of the Czechoslovak Communist Party, with some additional material given in a speech by Josef Korcak.[16] The approved text was published immediately after the Congress,[17] at which the Chairman of the Federal Council of Ministers, Lubomir Strougal, had indicated the broad lines of development. He stressed that

> In relation to advanced capitalist countries we shall not only strive for the widening of traditional economic contacts but particularly for a more accentuated expansion of industrial, scientific and technological

[16] *Rude Pravo*, 21 February 1976, supplement, and 26 February 1976.
[17] *ibid.*, 21 April 1976, supplement.

co-operation. The required dynamics of commercial relations with those countries will largely depend on increased exports of engineering goods and chemicals in that direction.[18]

The Federal Assembly enacted the text as a Plan Law on 23 July, with hardly any amendment. The main indicators of growth are of 27–29 per cent in NMP produced, 'at least' 33 per cent in global industrial output and 14–15 per cent in gross agricultural output. This is to be achieved particularly with economy of materials, the input efficiency of which must be raised in industry overall by 2 to 2·5 per cent annually over the five years with respect to fuel and power, while material costs per unit of industrial output should decline, again annually, by 0·6 to 0·8 per cent.

Exports of engineering goods in 1980 should be 72–74 per cent above 1975 while output for domestic supply should rise only 48–51 per cent. These goals are in line with the export promotion drive underlying the 35–37 per cent increment in foreign-trade turnover, but show a more rapid production growth than envisaged in an article which appeared in mid-1975: this stated that output of engineering goods would rise by 50 per cent under the Sixth Five-Year Plan (that is by more than under the quinquennium just completed).[19] Increments will be marked in installations and equipment for nuclear power, chemicals, engineering, automation and building. While echoing the diminished priority elsewhere in Eastern Europe for the private car, there is to be an expansion of the output of lorries, in which the Comecon International Investment Bank has an interest by its loan for the extension of the Tatra Lorry Plant in 1973. The statement on nuclear engineering is related to the construction of the nuclear power station at Jaslovske Bohunice (of 800 MW) which will come on stream in 1980. Until that year, when gas from the USSR via the Orenburg pipeline will start being supplied, the fuel situation is likely to be critical. An energy balance for 1980 and 1990 shows respectively 4 and 13 per cent to be derived from hydro and nuclear power, against 3 per cent in 1970 and 1975.[20]

Last October the Central Committee set a target of agricultural self-sufficiency under the new plan, a major decision doubtless due to the deterioration in the country's terms of trade as it meets the higher prices for fuels and primary materials. The output of grain is already satisfactory (a 1971–5 average crop of nearly 47 m. tonnes against a goal of 42 m. and an average of 35 m. in 1966–70) but should be raised enough to obviate even the occasional need for imports. Sugar production—once so major an export sector that the pre-war sugar bourse was in Prague—will be revived and sugar is to become again an export product. It was noted that the fertilizer and pesticide programme

[18] *Rude Pravo*, 14 April 1976. [19] *Hospodarske Noviny*, 29 August 1975.
[20] M. Cibula, *Planovane Hospodarstvi*, No. 3, 1976, p. 34.

would have to be stepped up and that some 2 m. tonnes of phosphate fertilizer would be needed in 1980.

GDR—emulating West German standards

The overwhelming economic strength of the Federal Republic and the inevitable attenuation of the Democratic Republic's isolation from it clearly inspired the GDR planners to give priority to consumer incomes (which already vie with those of Czechoslovakia as the highest in Comecon). A growth of 20 to 23 per cent in net real income over 1976–80 is embodied in the Plan and the first decree implementing a feature of the Directives was on increasing wages and social security benefits.[21]

The draft directives on the 1976–80 Plan for submission to the 9th Congress of the Socialist Unity Party specified an increment of 27 to 30 per cent over 1975 for NMP produced. Industrial output was to grow rather more rapidly than material product and within the 34–36 per cent increment a high priority was placed on energy production. The directives were approved by the Congress, when fuller details were given by the Chairman of the Council of Ministers, Horst Sindermann.[22] The wider perspective was indicated in the simultaneous approval of a new Party Programme.[23]

The Five-Year Plan devotes an entire section to the intensification of research and another to the saving of materials, especially of energy sources. A 20 per cent rise in farm output in 1976–80 over 1971–5 is to be achieved partly with more phosphate fertilizers (from 500,000 tonnes to 530,000 tonnes, in P_2O_5 content) and of pesticides (from M 313 m. to M 428 m.).

Socialist economic integration occupies a complete chapter of the Plan, but neither this nor the small section on foreign trade (dealing with the continued importance of capitalist and developing countries) contains quantitative targets.

Hungary—a definitive plan

Hungary was the first Comecon member to put its Five-Year Plan into final form. 'Guiding Principles' for the 11th Congress of the Hungarian United Workers' Party were published as long ago as December 1974.[24] They were accepted by the Congress with relatively few changes; the Central Committee of the Party then reviewed these and set specific 'main targets' for the plan, which was approved by Parliament on 18 December.[25] During this process the targets were in general slightly raised. Thus NMP produced began in December 1974 as a 30 per

[21] *Neues Deutschland*, 29–30 May 1976. [22] *ibid.*, 22/23 May 1976.
[23] *ibid.*, 25 May 1976. [24] *Nepszabadsag*, 8 December 1974.
[25] *ibid.*, 21 December 1975, supplement.

cent increment during the plan period and ended in both the final documents as 30–32 per cent; the industrial target, originally set at 33–35 per cent was cited in the parliamentary law as 6 per cent per annum (or 34 per cent) and the agricultural target, set at 16–18 per cent, was finally shown as 3·2 to 3·4 per cent annually (or 17 to 18 per cent).

As other Comecon states, the Hungarians stressed research and development, rationalization and 'modernization' of the product-mix and the increase of labour productivity, with the addition of the need to redeploy manpower. Technological development must include the processing of materials into outputs of higher value and a rational use of energy. Unlike other Comecon countries, however, Hungary set no targets for individual branches of industry, although a number of specific outputs were noted for 1980. Whereas most East European plans have in the past postulated some increase in the sown area, the agricultural section of the Hungarian plan lays down that the cultivated area may not be reduced 'except in justified cases'. Household plots must be helped to improve their productive potential (in contrast to those earlier agrarian policies which restricted or ignored the private plot).

The foreign-trade plan with its 45–50 per cent increment in turnover envisages a faster growth of exports than of imports. Exports should be chosen so as to be more profitable and imports will have to be selected so as to coincide with users' requirements.

Poland—the repayment plan

Two documents issued by the Party Central Committee form the basic information as yet available on the Polish 1976–80 Plan. One is an outline document of the Central Committee presented to the Seventh Congress of the Polish United Workers' Party.[26] The other is a speech by the Chairman of the Council of Ministers, Piotr Jaroszewicz, to the Seventh Congress of the Polish United Workers' Party on 9 December 1975.[27] Most data were cited as percentages of 1975 (a year which was also used to indicate changes since 1970 under the preceding Five-Year Plan) and can be compiled from the communiqué of the Central Statistical Office on the 1975 Plan in conjunction with the statistical yearbook.[28]

According to principal macro-economic aggregates released by Mr Jaroszewicz, NMP produced should rise by between 40 and 42 per cent (with the share of industry increasing from 58 to 62 per cent), industrial output destined for domestic consumption by 42 per cent,

[26] *Wytyczne Komitetu Centralnego na VII Zjezd PZPR*, Warsaw, 1975.
[27] *Trybuna Ludu*, 10 December 1975.
[28] *ibid.*, 22 January 1976, and *Rocznik statystyczny*, Warsaw, 1975.

and output for export by 82 per cent (putting its share of total industrial production up from 14·4 per cent in 1975 to 18 per cent in 1980). Global industrial production is to increase between 48 and 50 per cent, with chemicals and electrical engineering singled out as raising their share in industrial output from 35 per cent in 1975 to 50 per cent in 1980: chemicals are to rise by 70 per cent over the coming five years and electrical engineering by 67 per cent. Mr Jaroszewicz noted a target of 350,000 cars (compared with 173,600 in 1975), the doubling indicating a large expected increase in foreign sales, since the increment for home buyers is 70 per cent.

As in the plans of other Comecon states, a special section of the draft plan is devoted to research and development. Against 115,000 m. zloty allotted in the 1971–5 period, 200,000 m. zloty are scheduled for this outlay in 1976–80. This section of the draft plan also deals with improved measures for environmental protection.

Agricultural output in 1980 is to be 15 to 16 per cent above that of 1975, with a rise of 16–18 per cent in animal products and 15 per cent in plant produce. Unlike the goals for other countries (except Hungary), farming targets are given for the horizon year, rather than for the average of the five years.

It is possible to deduce from the figures cited in 1971 prices for its components that NMP distributed is to rise much more slowly than NMP produced (by some 20 against 40–42 per cent). The difference is partly to be devoted to the repayment of external debts; the faster growth of imports from Comecon countries (11 per cent annually) than of counter-deliveries (10 per cent) suggests that all the repayment is to go to the West and that Comecon debtors to Poland in their turn are to repay some of their balances.

Romania—four revisions

The Rumanian Communist Party's 11th Congress in November 1974 considered a Central Committee draft and a report of the General Secretary, Nicolae Ceausescu,[29] but gave no formal approval to any specific target. Following the serious floods of July 1975, the Party Central Committee and the Supreme Council for Social and Economic Development held a joint session to revise the provisional targets, but these were overtaken when the Central Committee met again in February 1976. The revisions were announced in Mr Ceausescu's speech the next day to a Congress of county councils and chairmen of municipalities and communes; in comparison with the 1974 draft directives, an increase was evident in all but two cases: real income (18–20 per cent) and co-operative-farmers' remuneration (20–25 per cent) which were unchanged. When, however, the Plan Law was passed by the National

[29] *Scinteia*, 3 August 1974. [30] *ibid.*, 5 February 1976.

Assembly in July,[31] lower goals were substituted, as the following tabl shows.

(1975 = 100)	*July 1976 Plan Law*	*Feb. 1976 version*	*1974 draft*
Social product	150–157	157·0	147–154
NMP produced	161–168·5	168·5	154–161
Global industrial output	162–170	170·0	154–161
Gross agricultural output (quinquennial means)	128–144	128·4–144·4	125–134

A further revision seems to have been requested by the executive com mittee of the Party Central Committee later that month, when cu were demanded in industrial investment while maintaining goals fc final production.[32]

The general picture

Everywhere except in Albania, where self-reliance and the sma craftsman and peasant are praised, the plans anticipate the application (higher technologies to meet the conditions of labour shortage and th need for competitiveness on foreign (including Comecon) market Higher technology is partly a substitute for further economic reorganiza tion. Few changes took place in the year preceding the plans and littl seems to be envisaged during their operation. Essentially, therefore, th system of 'industrial associations' as profit centres under ministeri directives remains; the regulators of the New Economic Mechanism i Hungary have been somewhat modified. Comecon thus retains th uniformity it assumed in the last period, when the divergences of th various economic reforms of the mid-1960s were attenuated. Som reorganizations of pricing are envisaged. A new set of wholesale price was applied in Romania in 1974–5 and will be introduced in Czechoslc vakia on 1 January 1977, though, as the Finance Minister stresse('under no circumstances will this reconstruction be reflected in reta prices on the domestic market.'[33] No such guarantee has been offere to the Polish consumer, where a staggering rise of 39 per cent reta prices was announced on 24 June, though immediately repealed in th face of popular discontent. By postponing for five years the pric increases of December 1970, which drove Mr Gomulka from powe under direct action by the workers, Mr Gierek's administration ha allowed a rise of no less than 8 per cent a year in real wages durin 1971–5: the question for the 1976–80 Plan thus was not 'whether' t raise prices but 'when'. Hungary made modest retail price revisions i two stages on the eve of the new Five-Year Plan and undertook a refori of exchange rates on its first day. With effect from 1 January 1976, sh

[31] *Scinteia*, 3 July 1976. [32] *ibid.*, 31 July 1976.
[33] L. Ler, *Lidova demokracie*, 2 June 1976.

has at last abandoned the fictitious *deviza forint* which 'multipliers' (exchange co-efficients) have adjusted since 1968, and adopted a two-tier exchange rate (commercial and non-commercial).

Foreign trade dependence is to rise everywhere. The Hungarian Minister of Trade stated in a recent article that about 50 per cent of NMP produced and consumed is marketed through or reaches the country from abroad.[34] A decade ago the share, at 40 per cent, was the largest in Eastern Europe: the current level puts it close to that of small industrial nations in the West. For Comecon members and for Yugoslavia, a greater expansion is reserved for exchanges within that organization, though all retain the dynamism of domestic demand which has contrasted with the recession in world markets generally. Poland and Romania, in reducing their indebtedness in convertible currencies, may have to cut down on their trade with Western Europe, but East-West trade for the others will rise in volume while declining relatively. The need to import up to 100 m. tonnes of oil by 1980 will increase each country's exchanges with developing countries and any implementation of UNCTAD IV resolutions on commodity-price stabilization and on development capital-flow will enlarge their deficits with that group.

Together, these international financial pressures will force the pace of intra-Comecon mutilaterilization for current payments. The agreements have already been signed—that of January 1975 between the five most developed Comecon members on multilateralizing part of their bilateral deficits in transferable roubles (with some into convertible currency), and that of 1974 admitting developing countries into the clearing arrangements of the International Bank for Economic Co-operation. The approach of intra-Comecon pricing to world levels (through the five-year averaging decided in January 1975) is less significant than the Soviet-Hungarian trade agreement of March 1976 which allows trade beyond the five-year quotas (priced at Comecon prices) to be undertaken at world prices (in that case, essentially for Hungarian wheat against Soviet oil).

Beyond the payments question lies the deterioration—in comparison with the preceding plan period—of East Europe's terms of trade with the USSR and with the rest of the world. In face of the need for further regional self-sufficiency, the USSR proposed to the annual session of Comecon (7–9 July) much tighter economic policy-making. The resistance of Hungary and Romania, however, led the meeting to adopt looser arrangements whereby mutual commitments would be only undertaken for specific sectors.[35]

Domestically, the balance of payments prospects have pressed all Comecon members to stress materials and energy savings. An example is the lowering of production targets for motor vehicles in comparison

[34] J. Biro, *Nepszabadsag*, 8 June 1976. [35] *Izvestia*, 10 July 1976.

with previously-formulated long-term goals. This cuts out one area of 'consumerism' to which recognition has only belatedly been given, and in the overall allocation of resources under the plans the consumer is to do less well than he did in 1971–5. Everywhere, the rates of growth of real wages are below those achieved in the previous five years.[36] They are also below those planned for 1971–5, targets which at the time were hailed as ushering in a new deal for the consumer. An annual increment of just over 3 per cent is no mean deal, especially if compared with the expectation of decline in the United Kingdom, and it falls so far below the anticipated productivity gain—in industry the average is about 6 per cent—that there must be some slack. If one assumes that the planners' decisions have been essentially 'technical' on capital formation—above all for agriculture and agricultural equipment and chemicals, which are priority sectors—technology transfer and the external deficit, the real issue in resource allocation in drawing up the plans has been between private and public consumption.

Social spending will certainly rise: it is not only ideologically 'collectivist' but the previous quinquennium saw extensions of the coverage of free health care[37] and improvements in social services which have their full impact in the current plan periods. One reason why the 'slack' might be there is for defence expenditure, though the repayment of foreign credits, adjustment to the worsened terms of trade and higher incremental capital-output ratios could all be considerations. But if armaments spending is a factor, it would be a sad comment on the Helsinki Final Act that plans elaborated immediately after its signature should have to reserve so many resources for the contingency of its failure.

[36] The GDR target includes peasant incomes which probably rose faster than non-farm wages in 1971–5 and Polish real wages will show little, if any, increase after the rapid rise allowed in the past five years.

[37] See this author's *Health Care in the Soviet Union and Eastern Europe* (London: Croom Helm and Boulder, Colorado: West View Press, 1976).

East Germany under Honecker

W. TREHARNE JONES

THE principal aim of any Communist ruler in East Berlin is internal stability. Despite the construction of the Berlin Wall, three decades of indoctrination and economic progress, the regime has still not succeeded in winning the active loyalty of the bulk of the population.[1] The regime's quest for popular support is dominated by the state of its relationships with two countries: the Soviet Union, whose twenty divisions stationed in the GDR are the ultimate guarantee of Communist power there, and the Federal Republic, whose very existence is a perpetual reminder that a German state may order its affairs in a different way. Given this constellation of forces and bearing in mind the apparent permanence of the post-war division of Europe, it is clear that any ruler of the GDR has remarkably little room for manoeuvre. Yet despite this, the replacement of Walter Ulbricht by Erich Honecker as leader of the East German Communist Party (SED) in May 1971 has led to significant and even surprising changes in policy.

The most important change concerns détente. Until the mid-1960s the GDR made numerous proposals for the reduction of tension and reunification, secure in the knowledge that the Christian Democrat governments in Bonn either would not or could not accept them. The conversion of the super-powers to détente and the emergence of the Social Democrats in West Germany as a party pledged to the pursuit of an active *Ostpolitik* threw the East German Communists onto the defensive. It was now Ulbricht's turn to pose conditions for any improvement of relations. In this he was aided by Honecker who, as Politburo member responsible for security and military matters, was a harsh critic of West German intentions and was in fact the initiator of the present policy of *Abgrenzung*,[2] which emphasizes that contact with the Federal Republic should be accompanied by an intensification of the class war to ensure that the East German population is uncontaminated by 'bourgeois influences'.

[1] For an assessment of the East Germans' attitude to their state, see my 'If the Wall came tumbling down', *The Round Table*, July 1976.

[2] See Heinz Lippmann, *Honecker, Porträt eines Nachfolgers* (Cologne: Verlag Wissenschaft und Politik, 1971), pp. 210–15; also Hilary Black, 'Honecker's first year', *The World Today*, June 1972; Robert Bleimann, 'Detente and the GDR: the internal implications', *ibid.*, June 1973; Peter Bender, 'The special relationship of the two German States', *ibid.*, September 1973.

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The timing, if not the sole cause of Ulbricht's fall from power was his opposition to Soviety policy on the Four-Power Berlin talks.[3] Ulbricht felt that the Russians, in their eagerness to reach agreement with the West, were prepared to offer concessions at the expense of his country's sovereignty. Ironically, Honecker, the arch critic of détente but the man long predestined to succeed Ulbricht, had few such qualms. In May 1971, with the tolerance if not the connivance of the Russians, he took over as party leader. Within a few months, the four ambassadors had completed the text of the Quadripartite Agreement.[4] This foresaw, among other things, the opening of the Wall to visits from West Berlin and severe limitations on the GDR's ability to obstruct traffic on the access routes linking the Western sectors with the Federal Republic. But these concessions did not go unrewarded. By abandoning Ulbricht's attempts to determine the Communist bloc's policies in Germany and by fitting into the Soviet détente timetable, the GDR achieved two aims it had vainly sought since its inception: diplomatic recognition by the West and membership of the UN.

Parallel to acquiescing in the primacy of Russian foreign policy has been the acceptance of Soviet ideological supremacy. During his last five years of office, Ulbricht had made some important alterations to the SED's ideology although he remained a staunch opponent of any liberalization.[5] The success of the New Economic System (NÖS), introduced in 1963, had convinced him that the GDR was the most developed state in the Communist bloc. Now that the socialist means of production had triumphed, socialism would, he believed, develop from its own basis; science and technology could replace the working class as the driving force of social development.

Orthodoxy and consumerism

Honecker has abolished Ulbricht's theories. Appreciating both the Soviet dislike of any attempt to question the USSR's eminence as the most developed socialist state and understanding the dislike felt by many SED-members for theories presented in the (for them) confusing language of cybernetics and computer technology, Honecker has led his flock back to orthodoxy. In an important speech on 14 October 1971, Kurt Hager, the Party's chief ideologist, reasserted the subordination of the social sciences to Marxist–Leninism and the supremacy of the working class and its party.[6]

[3] Lippmann, *op. cit.*, pp. 222–225.

[4] See Dieter Mahnke, 'The Berlin Agreement: balance and prospects', *The World Today*, December 1971.

[5] See Fred Oldenburg, 'Der Wandel der Ideologie', *Deutschland Archiv*, May 1972.

[6] See Kurt Hager, *Die entwickelte sozialistische Gesellschaft: Aufgaben der Gesellschaftswissenschaften nach dem VIII. Parteitag der SED* (Berlin: Dietz Verlag, 1971).

In one sense the ideological change had been pre-empted by events. The starting point of Ulbricht's theories, the New Economic System, which had contained certain features of a market economy, collapsed in 1970, the year before Honecker came to power.[7] The immediate cause had been supply and growth difficulties caused by Ulbricht's planners concentrating resources on industries which they believed would be growth centres at the expense of certain other sections of the economy, such as services and the communications infrastructure.

More important than the return to traditional planning methods has been the development of a more consumer-orientated economic policy. Whereas, for instance, in Ulbricht's Seven-Year Plan (1959–65), the increase in worker productivity took precedence over the increase in living standards, the priorities of the 1971–5 plan were in reverse order. Thus Honecker told the delegates of the Eighth Party Congress that, 'the main purpose of the Five-Year Plan is to increase further the material and cultural standards of the people on the basis of greater labour productivity'[8] The distinction was not semantic.Living standards in the GDR, already the highest in Communist Europe, did rise faster than before. Not only did earnings increase, but in 1971 and 1972, the authorities introduced a variety of social benefits, including higher pensions, higher rent subsidies, longer holidays for working mothers and state loans for young married couples. For the first time ever large quantities of fashionable clothes such as American jeans and Italian shoes were imported. Honecker's consumer policy was more than a shrewd attempt to win support from a population still strongly influenced by the images of affluence it perceives nightly on West German television. Insofar as it particularly benefited the lower income brackets, the policy was a practical expression of the leading role of the working class, the orthodoxy newly reasserted.

One consequence of the orthodoxy was the nationalization in the spring of 1972 of the remaining private enterprises. Such a step was doubtless welcomed by those party members unhappy about the large and often successful private sector in their country. In 1970 private and partially private enterprise accounted for 14·5 per cent of national production; in the textile, leather and tobacco industries the percentage was much higher. The GDR even boasted a few home grown millionaires. Today the few remaining private service industries account for 4 per cent of national production.

If the Honecker leadership has had few inhibitions about removing the last vestiges of capitalism, it has shown a considerable degree of

[7] See Gert Leptin and Manfred Melzer, 'Die Wirtschaftsreform in der DDR Industrie. Rezentralisierung ohne Konzept', *Deutschland Archiv*, December 1975.

[8] See Hans-Dieter Schulz, 'Bremsen für den Konsum, Haupttendenzen des neuen Fünfjahrplans', *Deutschland Archiv*, September 1975.

tolerance and subtlety in handling social groups it considers on its side. Thus in March 1972 twenty-two members of the CDU, one of the client parties represented in the Volkskammer, were allowed either to vote against or abstain from the law introducing abortion[9]. This is the only occasion that a law has not been passed unanimously in the East German Parliament. Of greater significance has been the relaxation of policy towards the arts. In December 1971 Honecker proclaimed that in his view, 'There can be no taboos in the fields of arts and literature so long as one's starting point is basically socialist'.[10] Since then a variety of interesting and often critical books, plays and films have appeared which have done much to satisfy the curiosity of youth and the pent-up appetites of the country's intelligentsia.[11]

In summary one can say that the Honecker leadership, for all its emphasis on Communist orthodoxy, can be credited with a considerable degree of realism and flexibility in its approach to foreign and domestic policy. Honecker has still not developed a cult of personality comparable to that flaunted by Ulbricht in his heyday. Honecker's style of leadership is by contrast simpler: his speeches are, for a Communist leader, direct and factual. The son of a Saar miner, Honecker rose to power through the state youth movement—the FDJ—and through the party machine. Since coming to power he has surrounded himself with men and women of similar background. Of the 13 people he has appointed to full or associate membership of the Politburo only one could be described as a technocrat or economist of the type promoted by Ulbricht.[12]

Dangers ahead

After correcting Ulbricht's errors—in both foreign and domestic policy—and launching Honecker's 'strategy of satisfaction', there are now indications that the party leadership has lost its sense of direction. Thus, although there has been no return to the repressive *Kulturpolitik* prevalent in the years 1965–71, the party does seem reluctant to allow experimentation in literature and films to develop further. This hesitation reflects in part the natural anxiety of *Apparatchiki* who fear that too much intellectual freedom could weaken party control. Much more serious are a number of developments over which the SED had and has little control and which could threaten the basis of Honecker's policies.

One such development is the world-wide inflation which followed the commodities boom and the oil crisis. Initially, East Germany only had to pay higher prices for her imports from the West. These imports accounted in 1974 for 34 per cent of the total and included much

[9] See '*Neues Deutschland*', 10 March 1972. [10] *ibid.*, 18 December 1971.
[11] See my 'East German Cultural Scene', *Survey*, Autumn 1975.
[12] See *Frankfurter Allgemeine Zeitung*, 10 June 1976.

advanced manufacturing equipment. However, in January 1975 Russia drastically raised the prices of raw materials she supplies to the GDR and her other East European allies.[13] The Soviet Union is East Germany's biggest trading partner and major supplier of raw materials—providing, for instance, 81 per cent of her oil, 60 per cent of her coal and 75 per cent of her cotton.[14] Although the GDR has raised the prices of its exports to Russia, which consist mainly of manufactures, the increase only covers two-thirds of the higher cost of Russian raw materials. To make up the difference, the new Five-Year Plan (1975–80) anticipates an expansion of exports. In the short term, the extra production necessary is to be made possible by a reduction of material input and an increase in labour productivity. The latter is to rise by at least 30 per cent, a high target for the most mechanized country in Comecon and one whose labour force is not expected to grow very much in the next few years. So East German workers will have to accept an expansion of night shifts, a reduction in machine down time and an enlargement of piecework.[15] These measures will not be popular, in particular because the new plan sees a reduction in the growth of the population's standard of living. Whereas consumption rose by 28 per cent between 1971–5, the increase over the next five years will be between 20 and 22 per cent.[16] It is interesting to note that the propaganda emphasis on improving the condition of the people no longer enjoys the eminence it did during the last Five-Year Plan.

In December 1972 Honecker expressed the view that the increase in living standards was an incentive to higher productivity.[17] Presumably the reverse argument is also true: a slow-up in the growth of personal consumption could lead to an unwillingness to work harder and more efficiently. At all events one can assume that the regime is on the lookout for changes of mood among the workers—particularly after the display of worker power in Poland last June. The situation in the GDR is incomparably better than that east of the Oder and the East German labour force, which has always been more disciplined than the Polish working class, knows it. Even so, there were a few isolated incidents in GDR factories during the riots in the Baltic ports in 1970.

A further source of anxiety for the SED is the scope for ideological infiltration from the West. Although the Federal Government—with the support of the Supreme Court in Karlsruhe—has been able to claim that the Basic Treaty between the two German states leaves open

[13] See Hans-Dieter Schulz, 'DDR in der Teuerungswelle', *Deutschland Archiv*, March 1975.

[14] See Maria Haendke-Hoppe, 'Aussenhandel und Aussenhandelsplanung', *Deutschland Archiv*, February 1975.

[15] See Hans-Dieter Schulz, 'Wirtschaftspolitische Aspekte des SED Parteitages', *ibid.*, June 1976.

[16] *ibid.* [17] *Neues Deutschland*, 8 December 1972.

the option of eventual reunification, the GDR has had little difficulty in claiming that the treaty does quite the reverse.[18] Much more serious for the Communists has been the price they have had to pay for recognition. Together with the Quadripartite Agreement, the Basic Treaty has effectively opened up the GDR to visits by West Berliners and West Germans. Last year seven million visits were recorded.[19] Such numbers have successfully destroyed one of the original functions of the Berlin Wall, which was to keep out Western influences. Just what effect the visits have on East Germans is not clear. During the oil crisis SED officials were sure that West Germans would be impressed by the fact that the GDR had escaped a recession. Now that inflation has caught up with East Germany and the Federal Republic is moving out of recession, this optimism has gone. Indeed, the consistency with which the Party has pursued its policy of *Abgrenzung* suggests that it still fears that the Western contacts may keep alive the Social Democratic and nationalist sympathies which outside observers continue to believe—probably rightly—are widespread among East Germans.

An additional problem for the SED leadership is the growing influence of the Communist parties in Western Europe, particularly in France and Italy. The leadership fears that this influence could encourage members of the SED to press for their party to become more democratic and independent of Moscow. Such anxieties are not unfounded. Until 1957 there were a number of attempts to push the SED towards reform. And, indeed, one reason why Ulbricht played so active a role in the destruction of Czechoslovak reform Communism was his determination that there should be no Prague Spring in the GDR. In 1968 Berlinguer sharply attacked an article by Hermann Axen, at that time an associate member of the Politburo, justifying the doctrine of the limited sovereignty of the socialist states. Relations with the Italian Party were patched up when Berlinguer visited East Germany in 1973 and after the Conference of European Communist Parties in East Berlin this summer, the SED took the unusual step of publishing the full text of the heretical speeches by the leaders of the Italian, French Romanian and Yugoslav parties.[20] As the host of the conference the SED could hardly avoid doing so. A truer indication of East Berlin's attitude to the Western parties however is the publication of a doctored selection of Berlinguer's speeches last year[21] and the sharp criticism in *Neues Deutschland* of the French Party when it jettisoned 'the principle of the dictatorship of the proletariat' at its congress in February.

[18] For background, see Hilary Black, 'The East–West German treaty', *The World Today*, December 1972.

[19] *Deutschland Archiv*, February 1976.

[20] *Neues Deutschland*, 1 July 1976

[21] See review of volume in *Deutschland Archiv*, February 1976.

Soviet anchor

The three problems outlined above explain in varying degrees one of the main features of the Honecker period—the increasing closeness and dependence on the Soviet Union. Thus in the revised Constitution (1974), the new GDR-Russian Friendship Treaty (1975) and the new Party Statute (1976), all references to the desirability of German reunification have been removed. The revised Constitution binds East Germany 'forever and irrevocably' to the Soviet Union.[22] What was once the 'party of national dignity and national unity' (old party statute) becomes (in the new statute) 'a section of the international Communist movement'.[23] Identification with the Soviet Union is really the logical complement to the policy of *Abgrenzung* towards the Federal Republic. Denied, on account of their opposing social systems, any 'special relationship' with their fellow Germans in the West, GDR citizens are directed towards a substitute relationship with their fellow socialists in the East. Part of this policy is the growing direct co-operation between the departments of the central committees of both the East German and Russian parties. Since 1972 the parties have been working out every two years plans for the exchange of delegations.[24] Such close contact reduces the chance of revisionist sentiment developing undetected. A Prague Spring has become even less likely in the GDR than it ever was.

The Honecker leadership has an additional motive for cultivating the Kremlin. Good relations are likely to soften rather than harden Russian economic demands. And here East Germany has a little of her own weight to throw around for she supplies a quarter of all the machines and equipment imported by the Soviet Union[25] and is the latter's largest single trading partner. Thus the dependence between the two states, though unequal, is still mutual. Indeed the GDR's role both as the main trading partner of all the other East European states and as a rock of orthodoxy enhances its importance in Soviet eyes.

However, East Germany's general integration into the Communist bloc has not precluded active policies towards Western Europe. Since its diplomatic recognition by the West, the GDR has pursued two principal aims. One is to win support for the Communist interpretation of the Helsinki conference, and in particular for the SED view that the conference virtually sanctioned the division of Germany. The other aim is to expand trade with the capitalist West and acquire modern technology and know-how. Since recognition, trade with the West has doubled, partly on account of price increases and partly on account of

[22] Text in *Deutschland Archiv*, November 1974.
[23] Quoted in *Frankfurter Allgemeine Zeitung*, 29 May 1976.
[24] See Fred Oldenburg, 'Zur 16. Tagung des ZK der SED', *Deutschland Archiv*, January 1976.
[25] Maria Haendke-Hoppe, *op. cit.*

generous credits granted by the GDR's new diplomatic partners. Trade with the Federal Republic, which has long been one of the GDR's principal trading associates, has grown too. In view of its policy of *Abgrenzung*, it is not surprising that the Honecker leadership has concentrated on agreements which are economically beneficial and neglected most of the other topics listed as negotiable in the Basic Treaty. A further limitation to East Germany's trade, not just with West Germany, but with the West in general, is the degree of her economic integration with Comecon, her payments deficit with the capitalist countries, and the need to pay the increased prices for Soviet raw materials.

Meanwhile the basic problem facing Honecker—the need to win the active loyalty of the population—remains unresolved. Indeed, its solution seems less tractable today than it did in 1971. In the early part of the decade Honecker was able to offer his fellow citizens a deal which earned him considerable initial goodwill: on the one hand, a faster growth of living standards; on the other, an opening to the West in the form of visits from friends and relatives from outside. The gloss has worn off this deal. The working population are now being asked to work harder in exchange for a slower increase in real incomes. The visits from the West have become a part of everyday life in the GDR, leaving East Germans painfully aware that they themselves are still barred from visiting the West. At present the only exceptions to this restriction are pensioners, who are, crudely speaking, economically dispensable, and, since the Basic Treaty came into force in 1973, a small number of East Germans who are allowed to make short trips in the event of a death, birth, marriage or special wedding anniversaries among their relatives in the Federal Republic. Last year the number of GDR citizens who were able to visit the West was just over 40,000—a paltry figure in comparison with the seven million Westerners who crossed the frontier the other way.

Any substantial enlargement of the numbers of East Germans 'allowed out' would be risky. Many might stay away, thus undermining morale at home and depleting the work force. As it is, over five thousand East Germans escape each year by one route or another and many others make unsuccessful attempts. Honecker must know that the travel restrictions are bitterly resented by large sections of the population. Yet just as Honecker could not prevent the increased prices of Soviet raw materials, so too can he do little to undermine the attraction of his Western neighbour for his fellow countrymen. Like Ulbricht before him, Honecker is discovering that his room for manoeuvre between the Soviet Union and the Federal Republic is limited.

Indonesia and the incorporation of East Timor

MICHAEL LEIFER

THE incorporation by force and by ceremonial of the eastern half of the island of Timor within the Indonesian state aroused a relatively short-lived controversy. It centred on the absence of an acceptable act of self-determination in the former Portuguese colony and on the conduct there of the government which had recourse to *force majeure*. The controversy has been relatively short-lived producing ritual disapproval in the United Nations, because the annexation of East Timor was hardly an episode of global import bearing on central adversary relationships. And even within South-East Asia, it was of limited significance, especially given the proximity in time of preceding political change in Indochina. The process and manner of incorporation of East Timor in Indonesia is of interest none the less for what it reveals about the strategic perspective of the Indonesian Government. Noteworthy also is how the rudimentary politics of the eastern half of the island followed a course which served Indonesian interests, especially in providing a justification for intervention that was absent at the outset.

It became apparent shortly after the Armed Forces Movement in Lisbon had issued a general licence for liberation in Portugal's colonies that the Indonesian Government wished to assume control of the vestige of empire at the eastern extremity of the Lesser Sundas. At this time, without a legitimate excuse to intervene decisively in a territory where Portuguese sovereignty was recognized and Portugal's decolonization policy approved, and also when internal circumstances did not warrant any so-called police action to restore order, Indonesia cloaked an evident interest in studied ambivalence. Indeed, such ambivalence persisted in declaratory policy even after overt military intervention had virtually decided the political future of East Timor.[1]

The Indonesian interest in incorporating East Timor was not an expression of territorial acquisitiveness as such. Portuguese Timor had remained a political backwater from the outset of Indonesian indepen-

[1] See President Suharto's New Year message on the eve of 1976, BBC *Summary of World Broadcasts*, Part 3, FE/5098/C1/2.

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dence until the initiative of the Armed Forces Movement in Lisbon i April 1974 disturbed its dormant condition. It had escaped the romanti political lusts of Sukarno slaked against the Dutch over their refusal unt August 1962 to relinquish control of the western half of the island of Ne Guinea and against Malaysia because of her allegedly spurious identit As East Timor was a Portuguese possession, it was politically inviolat while Indonesian governments argued the Irian Barat claim on th ground that all and only the territories of the former Netherlands Ea Indies constituted the Republic of Indonesia. And given its size, popu lation, location and economic circumstances, Portuguese Timor did no provide a suitable focus for promoting solidarity with which to shore u the destructive political competitiveness inherent in Sukarno's Guide Democracy. Indeed, in a succinct survey of its colonial condition, or observer commented 'Economically, it might be said that Portugues Timor has not yet reached the stage of underdevelopment.'[2]

Indonesian apprehensions

The Indonesian Government's interest in East Timor was arouse when radical change within Portugal served to transform the stab administrative context of the colony into a political one fraught wit uncertainty as perceived from Jakarta. An appropriate analogy would b to represent colonial East Timor as an unheated pot with Portugues control as its firmly attached lid. With the expectation of the removal o that lid, combined with sanction from Lisbon for raising the politic temperature within the colony, political opportunity in East Timor wa matched in Indonesia by apprehension at what might be the conse quences of a new and independent entity sharing a common border at th extremity of a fissiparous archipelago. Such apprehension was reinforce by the actual emergence of political organizations within the colony i May 1974. The Timorese Democratic Union (UDT), representing in th main the urban beneficiaries of Portuguese rule, advocated autonom within a continuing political association with Lisbon, but the Revolutio ary Front for the Independence of East Timor (Fretilin), representing lower income constituency, demanded early and complete independenc The radical rhetoric of this body and its intentional acronymic similari to Frelimo in Mozambique caused consternation in Jakarta. A probab Indonesian response was the formation of a third political grouping, th Popular Association for a Democratic Timor (Apodeti), which sougl integration for the colony in the neighbouring Republic and receive financial and propaganda support from across the border.[3]

[2] Bob Reece, 'Portuguese Timor: 1974', *Australian Neighbours*, April–Ju 1974, p. 5.

[3] A brief account of the emergence and constituencies of support of the politic groupings which appeared within East Timor can be found in J. Stephen Hoadle 'Portuguese Timor and Regional stability', *South-East Asian Spectrum*, July 197

Indonesian encouragement for the political disposition of Apodeti was not determined by crude territorial appetite but by an excessive concern with national security. To explain the course of events in East Timor in terms of 'geographic tidiness and Javanese imperialism' would be an oversimplification. East Timor was coveted and eventually seized not because the Portuguese half of the island was perceived as an asset but because it was thought necessary to secure it in order to deny its uncertain utility to others. East Timor, at the very periphery of archipelago Indonesia, attracted attention in Jakarta because of a fundamental sense of territorial vulnerability, arising from geographic fragmentation and ethno-religious diversity, made acute by the dominant influence of the military and their perspective in government. Thus, the augury of internal political change in East Timor after April 1974 conjured up a variety of worst possible cases around both the prospect of a point of entry for hostile forces being opened into the soft exterior of the Indonesian state and encouragement being provided for separatism within the archipelago. It may be of some importance to note that these apprehensions emerged barely three months after a major political upheaval in Jakarta in January 1974 which had been construed by President Suharto as a subversive challenge to a legitimately constituted political order endorsed by electoral process. Subsequently, the events which culminated in Indonesian annexation occurred within months of the dramatic Communist victories in Indochina which were a matter for considerable concern in Jakarta.

Indonesia's interest in East Timor was evident from the outset, if ambivalently projected. But the prospect for incorporation without major political and other opportunity costs was most uncertain for many months. In these circumstances, the Indonesian Government pursued a policy characterized by patience, if not always by internal consensus and political skill. Forcible incorporation was deemed the instrument of last resort because Indonesia did not want to be seen to violate the sovereignty of Portugal as long as it was being exercised visibly within a stable context and on the basis of a firm commitment to orderly decolonization. There existed a concern not to tarnish the international reputation of Indonesia under President Suharto in the eyes of her benefactors among the IGGI (Inter-Governmental Group on Indonesia) aid consortium as the moderate opposite of the country under President Sukarno. In addition, there was no desire to produce a sense of alarm among her regional neighbours, especially her partners within the Association of South-East Asian Nations (ASEAN). Indonesia's plans for the management of regional order on a co-operative basis were predicated on maintaining and expanding the store of goodwill built up so assiduously within non-Communist South-East Asia since the formal termination of confrontation with Malaysia in 1966.

Fragile coalition

Political skill was less than evident on Indonesia's part during the remaining months of 1974 in so far as crude attempts to enhance the position of Apodeti confirmed its client identity and served the immediate cause of the other two major political groupings who solicited support on the basis of rejecting the substitution of one form of alien domination for another. Thus, the blatant support of the Indonesian media for Apodeti did not improve the prospects of what was then the least popular of the three political organizations which had emerged since April 1974. And apprehension at possible Indonesian intervention served to bring together in coalition UDT and Fretilin who between them commanded the vast support of the urban literate. A convergence of political positions on the transfer of sovereignty and the pace of its ultimate attainment paved the way for a political alliance in January 1975, whereupon the two parties claimed an exclusive right to negotiate with the Portuguese authorities on the terms for eventual independence.[4]

At this juncture the prospects for the realization of Indonesia's aims were bleak. The UDT–Fretilin coalition had been founded on a common opposition to the Indonesian solution to the Timor problem. As one observer commented while the coalition endured, 'But this solution is now a non-starter because the Timorese people, in so far as they are represented by the UDT–Fretilin coalition, seem to have expressed their opposition to this option.' It was argued, in addition, that 'Indonesia at present has no credible justification for stepping in uninvited. The Communist menace has not yet materialized and Fretilin has not lived up to its radical reputation. Neither has internal political violence accompanied the decolonization process...'[5]

Indonesia's political fortunes improved, however, when Fretilin, which had become more radical in outlook concurrently with the drift of politics within Portugal, played into the hands of the Government in Jakarta. The coalition between UDT and Fretilin broke down in consequence of this radicalism after less than six months. Indeed, its formation had influenced the Indonesians to moderate their proprietary attitude and to try to mend political fences with UDT on the basis of a common concern at the leftist orientation of Fretilin. Initial discussions between all three political parties within East Timor and representatives of the Portuguese authorities began in May 1975 and, if Fretilin had sustained its association with UDT, the logical outcome would have been an agreement to hold elections, as a result of which Apodeti and thus Indonesia would probably have been eliminated as principal parties to the political destiny of East Timor. In the event, Fretilin refused to proceed to the

[4] For an account of the establishment and subsequent breakdown of the UDT–Fretilin coalition, see J. S. Dunn, 'Portuguese Timor—The Independence Movement from Coalition to Conflict', *Dyason House Papers* (formerly *Australia's Neighbours*), August 1975.

[5] Hoadley, *op. cit.*, pp. 8–9.

next stage of negotiations in Macao in June on the ground that it was not prepared to participate in them with Apodeti because it advocated an alternative colonialism.

Fretilin boycotted the discussions in Macao where, ironically, agreement was reached on holding elections to a popular assembly in October 1976, with the date for the ultimate transfer of sovereignty set for October 1978. With the coalition broken and Apodeti a principal party to the process of independence, Indonesia was still in the game. And her opportunity for ensuring an eventual incorporation increased on 11 August 1975 when the extent of the antagonism between UDT and Fretilin manifested itself in an inept attempt by the former to sieze power, justified as a preemptive act.[6] The UDT show of force was shortlived. From 20 August Fretilin loyalists among Timorese forces in the Portuguese garrison rallied with effect and by the end of the month Fretilin had established control in the administrative capital, Dili. The outbreak of violence not only disrupted Portugal's plans for decolonization but also led to the complete abdication of responsibility by the reluctant colonial power with the retreat of its officials to the neighbouring island of Atauro.

Towards intervention

In the changed circumstances, Indonesia did not exploit the opportunity to fill the political vacuum. Her Government abided by a self-denying ordinance, continued to recognize Portuguese sovereignty and reiterated support for popular self-determination, although reserving the right to act unilaterally to protect her declared interests. The likelihood of direct intervention was indicated explicitly by the statement of the Defence Minister, General Panggabean, that his country would act if its stability were threatened by events in the neighbouring colony. At this stage, however, unilateral action was set aside, while an abortive attempt was made to promote a collective police action whereby Indonesian interests might be secured under the auspices of Portuguese sovereignty. Thus, at the end of August, Dr Almeido Santos, an envoy from Lisbon, visited Jakarta and a proposal was discussed to form an international supervisory force to restore public order in the colony. But differences of opinion arose over the composition and hence the role of the force. Portugal was willing only to accept a force made up in part of local states and excluding Indonesia, whereas Indonesia insisted on participation. Irrespective of Indonesian and Portuguese differences, any plan for joint intervention would have foundered also on the reluctance of the Australian Government to involve itself in the undertaking. In September 1974, the then Australian Prime Minister, Gough Whitlam, had journeyed to Jakarta where he apparently accepted the practicality of the incorporation of East Timor into the Indonesian state in the interests of regional

[6] For an assessment of UDT motives, see Dunn, *op. cit.*, pp. 2–3.

stability. But a year later, domestic circumstances within Australi; including a growing vocal support for Fretilin, precluded Whitlam fror openly countenancing an intervention with Australian participatior whether designed to restore public order or to secure Indonesia's objective;

After the failure of this initiative which coincided with the evider consolidation of control by Fretilin, Indonesia began more direct effort to protect her interests. In early September, Fretilin claimed that uniden tified forces had crossed into East Timor from the Indonesian half of th island.[7] At this juncture, Fretilin dropped its initial demand for imme diate independence and instead advocated the formula which it ha rejected the previous June, namely that agreed at the Macao conferenc The purpose underlying Fretilin's change of position was to obtai endorsement of its exercise of political control from Portugal, in prir ciple the sovereign power, in order to hold a legal shield against Indo nesian intervention. Naturally, the Indonesian Government set its fac against any transfer of sovereignty from Portugal to Fretilin alone. refused to accept the apparent *fait accompli* in the colony and demande that both Apodeti and UDT be principal parties to any act of decoloniz: tion. It secured support in this position from Australia, whose Ambass: dor in Jakarta let it be known that a transfer of authority by Portugal t Fretilin would definitely prejudice stability in the region.

The Portuguese Government went through the formalities of tryir to reconcile the three internal parties and sought without success to pro mote fresh discussions between them. In the meantime, Indonesia military support for Apodeti became more evident and by mid-Octob the Indonesian Ministry of Information claimed that Apodeti with UD' controlled large areas of the eastern half of Timor. It was reported th: by this stage regular units of the Indonesian Army had crossed into Ea Timor and had been 'responsible for virtually all of the fighting presente to the world as a "counter-attack" by Timorese freedom fighters'.[8] E challenging covertly the position of Fretilin within East Timor, Indones sought to frustrate any claim which the Front might present to the ou side world for recognition of its sovereign position.

At the beginning of November, talks were held in Rome between tl Portuguese Foreign Minister, Melo Antunes, and his Indonesia counterpart, Adam Malik. In a joint statement issued on 3 Novembe Portugal was confirmed as 'the legitimate authority' in East Timor. Tl two ministers agreed also on the necessity of convening 'a meetir between Portugal and all political parties in Portuguese Timor simu taneously and aimed at ending armed strife and bringing about a peacef

[7] *The Times*, 9 September 1975.

[8] Martin Woollacott in *The Guardian*, 13 November 1975. Five Australi Television journalists met their death in East Timor in October 1975 in circun stances which suggest that they had secured evidence of Indonesia's milita involvement.

and orderly process of decolonization in Portuguese Timor'. In addition, The two ministers shared the view that in the implementation of decolonization of Portuguese Timor it would be essential also to safeguard the legitimate interests of the countries of the region, particularly the interests of Indonesia as the closest neighbouring country'.[9]

This statement was significant in that it not only indicated Portugal's refusal to recognize any exclusive claims by Fretilin but also that it confirmed Indonesia's status as a principal party to the conflict. From this time on the die appeared to be cast, as Fretilin became obliged to take the inevitable step of asserting unilaterally an independence which Indonesia could legitimately deny on the ground that it had violated the rights of UDT and Apodeti, accorded them by the sovereign power. In September 1975 these former adversaries had entered into an alliance on the basis of a common support for the integration of the eastern half of Timor into Indonesia. They had been joined then by two other political groups calling themselves Trabalhista and Kota which enabled the Indonesian Government to proclaim with even greater assurance that it supported the majority parties to the conflict, all of which favoured integration.

Fretilin proclaimed the independence of the People's Democratic Republic of East Timor on 28 November after it had become evident that an agreement could not be reached on an acceptable venue for talks between the rival parties. The following day its four antagonists declared East Timor an integral part of Indonesia and on 1 December their representatives met in the western part of the island with Adam Malik who promised his Government's support and said that the solution now lay on the battlefield. An authoritative statement by Indonesia's Information Minister, Mr Mashuri, was issued on 4 December in which the prospect of decisive intervention was signalled.[10] Overt intervention did not follow immediately but was almost certainly delayed for four days because of the impending brief visit to Jakarta by President Ford. His presence in the Indonesian capital raised all kinds of speculation about the extent of consultation and even collusion with the American President and his advisers on the imminent military enterprise. In the event, President Ford was spared the embarrassment of being in Jakarta while the invasion of East Timor was proceeding. It began on 7 December, the day after his departure, and was defended as a response to requests from within East Timor to restore order there. An Indonesian Government statement argued that it could not prevent 'Indonesian volunteers from helping their brothers in East Timor in their struggle to liberate themselves from Fretilin oppression'.[11] The intervention by 'volunteers' resolved the issue of the political future of East Timor. Although it was

[9] Full text of Joint Statement in *Indonesian News*, London, November 1975, pp. 29–30.

[10] BBC, *loc. cit.*, FE/5078/B11–12.

[11] *The Times*, 8 December 1975.

less than a model military exercise and the initial resistance was vigorou the balance of military resources, given the total absence of any sign ficant external support for Fretilin, put the incorporation of the easte half of the island into Indonesia beyond any doubt. A provisional gover ment headed by the chairman of Apodeti and recognized by Indones was set up in Dili on 17 December and by the middle of February 197 it was claimed that the island was under its effective control. The rest w sheer ceremony. On 31 May, a plenary session of a newly created Ea Timor People's Representative Council resolved to integrate the on Portuguese half of the island into Indonesia. This resolution was pr sented as a petition to President Suharto on 7 June who accepted it as a expression of brothers joining with brothers. This ceremonial proce was extended with the despatch of an Indonesian mission 'to ascertain th wishes of the people of East Timor', whose work was completed in goo time for the formal admission of the twenty-seventh province of Ind nesia on 17 July 1976, a month before the anniversary of the proclamatic of independence.

The human and material costs of Indonesia's decisive interventic have not been revealed; the attendant political consequences, includir Portugal's decision to break diplomatic relations, Australia's affirmati vote and Papua New Guinea's and Singapore's abstention in the Unit Nations, have been received with surprise if not with major concer Regionally, the impact of the episode of East Timor, in which th imperatives of force and order have not necessarily been matched b justice, has been mixed. Virtually all of Indonesia's neighbours we alarmed at the prospect of an independent East Timor less than viab economically and in the charge of a government drawn from Fretili Yet, they were less than pleased at the manner of Indonesia's resolutic of the conflict. In the past, governments within and on the periphery South-East Asia, in particular those of Australia, have lived with th problem of coexisting and co-operating with a volatile and even expa sionist Indonesia. By her action in East Timor, she conjured up, if on temporarily, the spectre of their having to deal in the future with a simil phenomenon. In the event, her neighbours who are part of the sam general political alignment have been obliged at least privately to come t terms with Indonesia's way of securing her and their priorities. The have deferred to President Suharto, who, unmoved by United Natior resolutions or Australian public anger, has enjoyed the last, if sti ambivalent, words in accepting the petition for integration presented b the East Timor delegation. He commented then, 'We do not have an territorial ambition and we do not have the inclination to dominate oth people, but our stand on the question of self-determination is clear: w will help those peoples who want to determine their own destiny an future.'

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Note of the month

CHINA—TURNING INWARDS?

How soon might a China without Mao detach herself from any international Communist affiliation? That is, in effect, not by any formal renunciation. The idea may seem strange with regard to a country that has been so furiously driven towards ever more revolutionary endeavour by an obsessive leader. Yet there are reasons for thinking that Mao's own personality and his own ambitions determined much of China's involvement with, or apparent commitment to, world revolution. Take away Mao and what pressures within China any longer dictate it?

We may begin by asking whether China's attachment to the international Marxist revolutionary movement had any national support or even any substance in the years after 1949. My own answer would be: no. Mao's visit to Moscow in 1949 was that of one head of state negotiating with another head of state. There was not then, nor subsequently, any coming together between China and the Soviet Union on a party or doctrinal basis. What there was then and since have been considerations that were personal to Mao or that arose from his own career. He saw himself as the importer and domesticator of Marxism to serve Chinese ends in what—as it had been conceived in its early years in which Mao fully shared—was essentially a nationalist awakening. In his role as a Marxist thinker Mao needed legitimacy; he wanted his status in the hierarchy to be recognized and his authority as a political philosopher acknowledged—Marx, Engels, Lenin, Stalin, Mao—a fifth name had been added to the pantheon, which is why those heavily bearded faces still stare down at us from the boards in Peking. (When I see them, I recall my Chinese companion at the theatre in Shanghai in 1948 who explained that the thick black beard worn by one character in the play would be understood by the audience to indicate his ugliness!)

What was necessary to Mao and remained so in his lifetime need not, however, be necessary to his successor in Peking. 'Marxism–Leninism and the Thoughts of Mao Tse-tung', that cumbersome label for China's new creed, could be abbreviated in a few years' time to its last and suitably nationalist phrase (how soon words may be discarded, as distinct from practice being discreetly changed, will be an interesting study from now onwards).

Nor does it seem likely that a successor to Mao could even conceive of following him in the ways credited to the late leader in the joint editorial

of *People's Daily*, *Red Flag* and *Liberation Army Daily* on 16 September, a text that combines all the contradictions of Mao's own thought with those now current to mark the struggle between radicals and moderates. Has not the Chinese impulse to provide a 'great teacher of the international proletariat and the oppressed nations and oppressed people' already lost most of its force? Could any new leader in Peking address himself to 'solving the major problems of the international Communist movement, namely, the consolidation of the dictatorship of the proletariat and the prevention of the restoration of capitalism'?

Of course, Mao's association with the international Communist movement was a necessity for many other reasons than his own status in a hierarchy of Marxist thinkers. Even before he could enjoy that position and reflect glory on China by it, he had to convince himself and the Chinese people in turn that in embracing Marxism he was not betraying his own past and China's future pre-eminence. How could the man who insisted that China should regenerate herself by her own efforts and who heroically led the Chinese people in that task not feel that importing an alien Western doctrine was a departure from his own creed of national self-reliance? The contradiction could be resolved only by insisting that the truth of Marxism was beyond dispute, that its correct analysis of the evolution of human society offered China and all the world the ineluctable way forward, and that this world-conquering creed would in the process vanquish China's enemies. Is not Mao's reiteration of the inevitability of history the plea that no other choice but Marxism would have been possible for China's revolution in the first half of this century? Need his successor stick to this creed? Will not the Thoughts of Mao Tse-tung serve China well enough?

Not least in the Chinese mind must be the Communism of the Western world in which capitalism has been the enemy, the alternative 'system' which revolutionaries must overthrow. What reality could the old cartoons of top-hatted, cigar-smoking villains ever have had for Chinese for whom capitalism was a Western, nineteenth-century import? The villains in Mao Tse-tung's peasant revolution were the landlords while the 'national' capitalists of Shanghai or Tientsin found the gate into the 'people's' haven wide open for them after 1949.

For the leaders of the Chinese revolution the real enemy was always imperialism, the source of the intruders and despoilers of a weak China in the nineteenth century against which the young nationalist Mao pitted himself in 1911. The Marxist Mao carried on the struggle against imperialism to the end. Not quite the end in China's national cause, it might be thought at this moment, while Taiwan (not to mention Hong Kong and Macao) remain to be gathered into the Chinese fold. (Let no one think that the demand for Taiwan will be lessened in the slightest by Mao's going.)

But, apart from such surviving claims, can China any longer feel herself to be struggling against imperialism? As a part of Mao's identification of China with the Third World against the 'hegemony' of the two super-powers this may drift on for a time, but that identification with the Third World must itself soon weaken, not least because so many of these countries have perceived China to be an unpredictable ally. As for the world inhabited by Brezhnev, Husak, Gierek and the rest, the world of two 'systems', capitalist and Communist—what reality can that have for China where the role of government is as dominant now as it has been throughout Chinese history?

True, the radical inheritors of Mao's revolutionary purity and egalitarianism see 'capitalism' as the signpost on the road that leads to perdition, but this is no more than shorthand for the peasant's clinging to his private plot or the factory foreman expecting a wage higher than the workers he directs. It simply means abusing as 'capitalist' those who would pitch their compromise nearer to the reality of human desire and to differences that are as readily accepted in Chinese society as in any other. (In this way it differs both from Eurocommunism and from Soviet bureaucratic Communism.)

There are other reasons why China's detachment from the international revolutionary movement may be slow to begin with following Mao Tse-tung's death. The links effected by Mao cannot be severed outright by his successor. There are, for example, the tiny and unimportant break-away Communist parties that came over to China's side during the more ideological phase of the Sino-Soviet struggle. They were nurtured by China because they were flattering, coming to pay political tribute in Peking. But with the death of their hero can they not be expected to wither away as parties? Are some of them not already—as inItaly—more of an embarrassment than an asset to China? No successor to Mao could, or is likely to wish to, play the role of world revolutionary that Mao did. Peking can now dispense with an international following. China is a world enough in herself.

RICHARD HARRIS

America's presidential contest

PETER STRAFFORD

One of the main features of this year's American presidential election is the way it is overshadowed by the scandals and setbacks of the last few years. It is not just a matter of Watergate, though that is the biggest of them. It is an accumulation of events that have led to the present mood of disenchantment with Washington, and have helped Mr Jimmy Carter, the Democratic candidate, in his carefully planned outsider's campaign.

In the four years since the last election, Americans have seen President Nixon, triumphantly re-elected in 1972 with a huge majority, forced to resign in disgrace. There has been the final victory of the Communist forces in Vietnam and Cambodia, exposing the futility of the long years of American effort; the oil embargo and the new urgency it gave to the energy crisis; the recession; disillusionment over the intentions of the Soviet Union; and the continuing revelations of corruption and illegality in such bodies as the Central Intelligence Agency and the Federal Bureau of Investigation, not to mention the sexual capers of Congressman Wayne Hays and others.

All this has been in the background during the long months of campaigning that led up to the party nominating conventions in July and August. Now that the internal party battles are over, it is the key to the strategies of President Ford and Mr Carter as they work up to the election on 2 November.

Broadly speaking, Mr Carter has presented himself as a man who is new to the national political scene, and is untainted by the mistakes and failures of the past. He has pointed to his record as Governor of Georgia but he has also made the most of his simple country background in southwest Georgia, and has spoken candidly about his beliefs as a Baptist who has been 'born again'. All this has seemed quite exotic to most Americans from outside the South, and has made Mr Carter and his sudden rise to prominence the main novelty in this year's election campaign. There is, however, a great deal more to him than a folksy background. He has a complex character in which strong religious and humanitarian feelings combine with driving ambition. To a great extent, the result of the election in November will turn on the assessment that Americans make of him.

By contrast, Mr Ford is a straightforward man, who is well known as a result of the many years he has spent in Washington. His strong point is that he is obviously a decent and honest man, who created a new

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atmosphere in Washington after Mr Nixon's resignation—though he is weakened by his association with Mr Nixon and the pardon he gave him. He claims credit for the reduction of inflation and the end of the recession, and plans to benefit as much as possible from the advantages that go with being the incumbent of the presidency.

All the indications are that he has a tough fight on his hands. Mr Carter held a clear lead in the opinion polls, at least up to the Republican convention in August. After the convention was over, Mr Ford narrowed the gap by several percentage points, but it remains to be seen whether he can make up enough ground to win in November. He has based his campaign on the assumption that he is behind, and hopes to repeat the success of President Truman in 1948, when he won against all the predictions. He has taken a calculated gamble in calling for a series of televised debates with Mr Carter. Debates of this sort are generally considered to help the challenger, as they did John Kennedy in 1960 against Richard Nixon, then Vice-President. But with Mr Carter apparently so far ahead, Mr Ford clearly calculated that he stood to gain more than he lost; he hopes to benefit from appearing 'presidential', and from having a more detailed knowledge of the issues.

Carter's rise

Both Mr Ford and Mr Carter had hard fights to win their parties' nominations. In Mr Carter's case, the campaign began in 1973, when he was still Governor of Georgia and he made his decision to try for the presidency. He laid his plans with characteristic care and, being a man of means, was able to begin full-time campaigning in January 1975, travelling tirelessly across the country. His preparations paid off as soon as the primaries and the party caucuses began a year later. By that time there was a big field of Democratic hopefuls, and Mr Carter was just one of them. But he quickly pulled out in front, winning the New Hampshire primary against eight other candidates, and then going on to win in Florida two weeks later. The Florida primary was a particularly important one because it showed that he could defeat Mr George Wallace, the Governor of Alabama, in a Southern state; it was the beginning of the end for Mr Wallace.

After that Mr Carter went from strength to strength, winning in Illinois, Wisconsin, Pennsylvania and Texas; his rivals dropped out one by one. As always happens on these occasions, attempts were made to create a stop-Carter movement, and many of the people involved hoped that Senator Hubert Humphrey, who had not entered any of the primaries, might make a successful challenge to Mr Carter at the convention. But he decided not to do so, and the result was that Mr Carter's nomination was assured well before the convention opened. Senator Edward Kennedy stuck throughout to his intention not to be a candidate

this year. Ironically, Mr Carter met some of his stiffest challenges right at the end, when he lost several primaries to Mr Jerry Brown, the Governor of California, and Senator Frank Church. But by then his position was so strong that he was able to shake off these defeats.

Mr Carter's success was due to his own characteristic combination of political flair, hard work and idealism. He clearly sensed the widespread feeling of disenchantment some time ago, and he responded to it in a way that offered his listeners hope that things would be better in the future. Vietnam, Watergate and other such things had happened, he said, because of failures in Washington, and because the American people had been kept out of the decision-making process. The way to get back on the right track again was to open up the government and bring the people back in. This message was reinforced by Mr Carter's own fervour and self-confidence, and also by the fact that he was able to speak in a way that appealed simultaneously to very different types of people. His basic stance was as a man of the centre—very different from the strongly liberal appeal of Senator George McGovern four years ago. But by careful turns of phrase he was often able, for instance, to persuade a conservative voter that he was with him, while convincing a liberal that in his heart he was in sympathy with the liberal viewpoint. In this way he was able to appeal to a wide range of opinion, white and black, middle and lower-income, conservative and liberal.

His opponents retaliated by calling him fuzzy on the issues, and the charge has been taken up by the Republicans. In fact, Mr Carter is in many ways no fuzzier than most politicians up for election, but the careful, qualified way in which he tackles issues, and his desire to appeal to as many people as possible, have left him open to the charge. One of the issues with which he is now having trouble is abortion. He says that he himself is opposed to abortion, but that he would not support enactment of a constitutional amendment banning it, though he would not oppose efforts by others to bring in such an amendment. It is a complex position, and he has been criticized for being ambiguous. The issue is an important one for him because of the many Roman Catholics who normally vote Democratic, and he has come under heavy pressure from the Catholic hierarchy.

Mr Carter's approach is that elections are not won on issues, but on personalities. So his own personality is bound to come up for critical examination, as it has already, as well as the sincerity of the religious beliefs he holds so openly. Americans are no more used than anyone else to politicians who are devout believers, and there is already some scepticism about his attitude, not least his undertaking never to tell a lie. So far, at least, there has been little disposition to question his claim to hold certain convictions with perfect sincerity, among them the need for help for the poor and for an end to racial discrimination. But it is also pointed

out that he is an extremely ambitious man, and that in the pursuit of his ends he has not always lived up to his convictions. The example given most often is his campaign in 1970 for the governorship of Georgia, when he made a strong bid for the support of the racialist vote—though later, after his election, he announced that he was opposed to racial discrimination.

One of the main features of his campaign for this year's election has been the support he has received from blacks, among them the Rev. Martin Luther King, Sr, father of the civil rights leader assassinated in 1968. This support is a product of Mr Carter's Southern background and his record as an opponent of racial discrimination. It survived the stir over a statement he made in April in which he said he saw nothing wrong with 'ethnic purity'—which was generally interpreted as a bid for the support of racially-minded whites.

Mr Carter has spoken out quite clearly about a number of things he intends to do if he is elected President in November. One on which he lays particular emphasis is the reorganization of the federal bureaucracy, with a view to making it more efficient and responsive. He carried out a reorganization of that sort at state level when he was Governor of Georgia, and claims to have made the state agencies work much more efficiently. He also emphasizes the need for a more open system of government in order to avoid the abuses of the past.

In general, he makes it clear that he would want to be a strong President. He has outlined a long list of measures that should be taken, among them action to create more jobs, the introduction of a national health insurance system, reform of the 'welfare' system for the unemployed, tax reform, environmental measures, and even an overhaul of the federal criminal justice system, which he considers to be weighted against those least able to protect themselves.

Whether he would be able to get all he wanted from Congress remains to be seen, even if, as expected, the Democrats retain a substantial majority. When he was Governor of Georgia, he had some tough fights with the state legislature. But since he became sure of the nomination, he has made a point of developing his contacts with party leaders, in Congress and elsewhere, and he plans to help those who are up for election this autumn.

In foreign policy, Mr Carter is something of an amateur. But he is a member of the Trilateral Commission, a body which groups representatives of the United States, Japan and Western Europe, and he has been relying for advice on the East Coast establishment of academics, lawyers and financiers who have been associated with Democratic Administrations in the past. He is also a man with a mind of his own, and has his own views on international affairs. The indications so far are that he would try to change the style of American foreign policy, but that the substance

would remain very much what it is now. In a speech earlier this year, Mr Carter castigated Dr Kissinger, the Secretary of State, for his secrecy and 'Lone Ranger' style, and for giving too much emphasis to relations with the Soviet Union at the expense of allies in Western Europe and Japan. But Dr Kissinger has himself shifted in that direction in the last year or two, and he was quoted as saying he had little criticism of Mr Carter's ideas. Like Dr Kissinger, Mr Carter believes more effort should be made to solve the problems of the developing countries. Among the points of difference is his belief that an effort should be made to cut down on arms sales overseas, and that more pressure should be brought to bear on countries like Chile and South Korea which count on American assistance while carrying out repressive internal policies.

The Democratic party convention in New York, when it finally came, was something of an anti-climax, and a very different affair from the turbulent conventions of 1968 and 1972. This was the result, not just of the certainty of Mr Carter's nomination, but of the determined efforts he and his staff made to prevent dissension and present a unified party. It did not make for much excitement, but it was quite an achievement to get all the disparate groups of Democrats, so used to fighting each other, working together.

The main uncertainty was over Mr Carter's choice as the vice-presidential candidate. He eventually, after long cogitation, chose Senator Walter Mondale of Minnesota, best known as a strong liberal. The choice was a clear bid for support from the liberal wing of the party, not altogether happy with Mr Carter's positions. On the other hand, it was also a calculated risk in that it gave the Republicans the chance of accusing Mr Carter of being really a free-spending liberal himself, and so undermining support for him in the more conservative parts of the country. It is a chance they have seized.

Ford *vs* Reagan

Mr Ford's fight for the Republican nomination was a more straightforward one, in that it was from the beginning an even battle between himself and Mr Ronald Reagan, the former Governor of California; there were, of course, other hopefuls, but they decided it was not worth their while to plunge in. It was hard fought through the primaries and beyond, and only ended at the noisy Republican convention in Kansas City in August with a narrow victory for Mr Ford, 1,187 votes to 1,070.

It was an unusual fight because the incumbent of the presidency is not normally challenged so strongly within his own party. But then Mr Ford is not a normal President, since he has not been elected in his own right, at least so far, and does not have the power base other Presidents have had. He was, besides, regarded as fumbling and ineffective by many Republicans, and Mr Reagan was a more obviously attractive candidate.

With his right-wing, anti-Washington statements, Mr Reagan was able to appeal to the same mood of disenchantment that Mr Carter had drawn on, particularly in the 'Sunbelt' states of the South and West.

In the past, no one had regarded Mr Ford as anything but a conservative Republican. But under pressure from Mr Reagan's challenge he decided to move further right, dropping Vice-President Nelson Rockefeller and playing down the policies of Dr Kissinger, who was criticized for being too pro-Soviet by the Reagan supporters. For long months government decisions were scrutinized, and often influenced, in the light of whether or not they would hurt Mr Ford in his search for delegates. The more moderate Republicans, who have in any case been a declining force in the party for some years, were forced to support Mr Ford as the lesser of two evils. But they had little control over events, and the party convention, when it finally took place, was very much a conservative occasion.

Ultimately, it was probably the power and prestige that go with being the President which, in spite of everything, swung the convention to Mr Ford. In the course of the primaries, he had won some early victories in the East, but they were not enough to eliminate Mr Reagan, and Mr Reagan fought back strongly with his overwhelming victory in Texas, followed by others in Indiana, Alabama, Georgia and Nebraska. It got to the point where it was regarded as a triumph for Mr Ford when he won in his home state of Michigan.

In the last weeks before the convention, as both sides were scraping the barrel for delegates, Mr Reagan sprang a major surprise by announcing that, if he was nominated, he would select Senator Richard Schweiker of Pennsylvania as his vice-presidential candidate. It was a gamble, because Mr Schweiker is a well known liberal; the hope was that it would attract more liberals into Mr Reagan's camp than it drove out disgusted conservatives. In the end, it brought Mr Reagan few new delegates and, by its obvious expediency, seriously damaged his reputation for ideological purity among diehard rightists.

The last stand by the Reagan forces was a procedural move in Kansas City in which they proposed that Mr Ford should also be required to name his vice-presidential candidate before the voting began on the presidential nomination. There was every likelihood that whomever he chose it would cost him some votes, and the proposal was a serious challenge to Mr Ford. He succeeded in defeating it, however, and after that his nomination was assured.

As his vice-presidential candidate, he eventually chose Senator Robert Dole, a man of similar conservative views to his own and, like him, from the Middle West. It was not a spectacular choice, since it was hardly calculated to enhance Mr Ford's position in the South or the East, or among liberals. But in many ways it was forced on the President by the

struggle within the Republican Party, and the need to prevent a damaging split in which the Reagan supporters refused to take part in the campaign. Mr Dole was acceptable to Mr Reagan, and he was not offensive to the liberal wing. A more spectacular candidate such as Mr John Connally, the former Governor of Texas, would have caused a reaction among the liberals, just as Mr Rockefeller would have done among the conservatives. As a man, Mr Dole is widely liked, even by opponents, and many Republicans were hoping he would use his sharp, sardonic tongue to lash Mr Carter. The choice of Mr Dole means that the Republicans have a possible power base in the industrial Middle West and some of the prairie states, while the Democrats are strong in the South. The Republicans have ground to make up in the north-east, and there will be critical battles in such big states as New York, New Jersey, Pennsylvania, Illinois, Texas and California.

When the convention ended, Mr Ford and the Republicans appeared to have come out of it as well as could be expected. An open split had been avoided, Mr Reagan had made the gesture of appearing on the podium with Mr Ford and Mr Dole, and Mr Ford wound it all up with a fighting speech which roused the delegates and was regarded as one of the best he had made. He made a stout defence of his own record as President, and issued his challenge to Mr Carter to join him in the television debates. It was, however, a far cry from the triumphant convention four years ago in Miami Beach, when Mr Nixon was nominated again. Mr Nixon and his closest supporters, so dominant then, had become non-persons, and Watergate, as far as possible, a non-event. The Republicans were a divided party facing an uphill battle in November, and the prospect of further difficulties if they lose then.

The expectation was that once he had defeated Mr Reagan, Mr Ford would feel free to adopt a less rigidly rightist stand, while continuing to attack the Democratic majority in Congress for big spending. At a press conference at the end of August he announced that the campaign would centre on a number of domestic issues, such as jobs, housing, health care, crime, recreation and education. He added, for good measure, that he would expose Mr Carter's 'indecisions and flip-flops'.

This is very different from the approach which Mr Carter plans. He has accused Mr Ford of being no more than a 'dormant' successor to Mr Nixon's policies, who has shown no leadership in the White House. The issues on which he plans to lay much of his emphasis are leadership and trust in government. Mr Carter has said that he will not attack Mr Ford over his pardon of Mr Nixon. But then he does not need to, especially as the issue was raised by Mr Mondale in his acceptance speech in New York. Watergate is not far from anyone's mind, and a recent Harris poll found that, by a majority of 59 per cent to 33 per cent, voters believed Mr Ford was wrong to give the pardon. On the other hand, a majority of

52 per cent to 34 per cent believed that he had nothing but the best interests of the country in mind when he did so.

On another issue from the past, the Vietnam war, Mr Carter has taken a forthright position and run into criticism for it. He appeared before a meeting of the American Legion to tell them that he would grant a blanket pardon to all draft evaders from that period, and he was loudly booed. Obviously he was not surprised by the reaction, and he argued that the pardon was necessary to heal the wounds of the past. Mr Dole appeared before the same audience the following day to say that Mr Ford would not give any such blanket pardon.

There is, in fact, no doubt that Americans are being offered a clear choice this autumn. For one thing, the two party platforms are very different. The Republican one, largely written by the party's conservatives, lays its main emphasis on cutting back inflation through less government spending; the Democratic one is full of proposals for action in Washington on social and economic issues, along the lines proposed by Mr Carter.

In the elections to Congress, the Republicans speak optimistically of making big gains to offset their losses of the last few years. But the Democrats have been given a big boost by the party unity they showed in July, and they expect to be helped by Mr Carter's candidacy. They are likely to retain control of both the Senate and the House of Representatives.

It will, however, be the presidential election which will show most about the mood of the country. On the one hand is Mr Ford, a veteran politician who has presided over a return to tranquillity in American affairs and advocates a cautious, conservative approach to its problems. On the other is Mr Carter, a forceful newcomer who is far from being a radical, but who aims to give Americans a renewed confidence in themselves and to pursue a much more active programme. The result will show, not just the voters' assessment of the two men, but what they want from their federal government in Washington.

The Chilean dictatorship

LAURENCE WHITEHEAD

Despite its international notoriety and the dismal results of its domestic policies, Pinochet's dictatorship still retains its cohesion and the grateful support of most of the Chilean establishment.

'AFTER Hitler, many said that only he was to blame, that the rest knew nothing. It will not be possible to say that in Chile after Pinochet. Those who know nothing *choose* not to know. . .'[1] The Chilean exiles who make this point hope that it may stir those with bad consciences into dissociating themselves from the regime, but from within Chile precisely the same thought may be more likely to lead to the opposite conclusion: whatever happens, there must be no 'after Pinochet'. The dominant interests in present-day Chile are determined to make the regime irreversible precisely because they agree on one fundamental point with the analysis of left-wing exiles like the late Orlando Letelier. Letelier (one of the most influential Ministers in Allende's last government who was assassinated in Washington on 21 September) pointed out that the junta had exposed the partiality of all the institutions that obstructed the Popular Unity government of 1970–3. An international campaign over press freedom would carry little conviction if some future reforming government were to take over the junta's most sophisticated mouthpiece, the *Mercurio*, and few tears would be shed over the rights of the judiciary if a Supreme Court that has sheltered universally acknowledged torturers were to be purged. This thought may give some comfort to Popular Unity leaders who struggled for so long to expose bourgeois hypocrisy, but its effect on the journalists, lawyers and other groups who retain a livelihood in Pinochet's Chile is naturally to identify their whole existence with the survival of the present regime. It might be thought that such considerations would influence only a small number of the regime's closest collaborators at the apex of the professional hierarchy, but in fact the cumulative effect of years of political polarization has been to establish strong mechanisms of vertical control by which broad strata of the middle class are persuaded/compelled to share the reflexes of their leaders. A recent opinion poll probably gave an accurate reflection of establish-

[1] *Chile–America* (Rome), March/May 1976, p. 21. This is an extremely useful source of information on Chile, run by non-Marxist exiles.

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ment opinion. It found that in 1975 the world event with most impact on Chilean opinion was the death of Franco. Many supporters of the junta do not consider that even 40 years of iron rule will be sufficient to give them peace of mind.

The analogy with Franco can be pressed a little further, although the scale of the devastation in a prolonged civil war was of course much greater. After three years Chile has apparently reached about the same point as Spain in the mid-1940s. Most of the killings are probably over, and the ordinary folk of the opposition are generally becoming reconciled to prolonged political exclusion, whether abroad or in 'internal exile'. There is still no glimpse of the consolations of economic prosperity. Not all the Western democracies are fully reconciled to Pinochet, but it is only the United States that really matters and Washington is, if anything, less likely seriously to take on Pinochet than it was to liberate Spain in 1945.

The repressive features of the regime have been so well publicised that this aspect need not be dwelt on here. Suffice it to say that the intelligence apparatus, DINA, is above the law and answerable only to the President, if indeed to him. It is estimated to employ some 20,000 persons (7,000 of them military), including 8,000 informers.[2] What requires more attention is why such an unattractive regime with such a poor economic record still seems to enjoy a fairly solid basis of support. We can look for some clues in its management of the economy.

The economy

No doubt questions of economic management should always be interpreted in the broad political context rather than seen as an essentially technical question. Thus the existence of heavy repression is a necessary precondition for the type of economic policy being pursued, not just a regrettable aberration. Likewise the first premise of the economic managers must be that their policies contribute to the perpetuation and reinforcement of the dictatorship. Only after this prior condition has been met can the technical rationality (or doctrinal orthodoxy) of alternative strategies be debated. Interpreted in such a framework questions of economic management can be used as the key to evaluating the nature and prospects of the regime.

By the conventional indicators, the junta's first three years can at best be judged as disappointing. In the 12 months to August 1973 (the last year of Allende's government), the consumer price index in Santiago rose by a record 320 per cent. In the 12 months to July 1975 (a period for which the junta was fully responsible) the same index had risen by 410 per cent. In the most recent 12 months for which statistics are available (to July 1976) the success of its so-called 'shock' anti-inflation programme of April 1975 could reasonably be evaluated: prices rose by 210 per cent.

[2] See *The Guardian*, 26 July 1976.

These distinctly modest achievements in the realm of inflation contro were accompanied by an extremely grim trend towards massive unem- ployment. The 4·1 per cent unemployment rate that still prevailed ir Greater Santiago at the end of the Allende government could not b(expected to last once the inflation reached its climax. The junta coul(therefore plausibly disclaim responsibility when the rate touched 10·: per cent a year later. Its excuses were bound to carry less conviction, how- ever, by June 1975 when the figure reached 16·1 per cent. Twelve month: later open unemployment had risen to 19·1 per cent. This is withou counting the 238,000 working at starvation wages under the 'minimun employment' programme, or the many thousands who have been force(to emigrate.[3] The urban unemployed in Chile find themselves totall without income, and have no outlet such as subsistence cultivation or ; 'return to the land'. They are therefore reduced to street selling, begging stealing and prostitution.

Industrial production in the first four months of 1976 was 12·7 pe cent lower than in 1969 (despite a rise in the population of almost a fiftl in the meantime), and a large part of Chile's productive capacity i: drastically under-used and not far from bankruptcy. This is despite th(fact that, taking a three-year average of the dollars Chile spent on import before and since the coup, the dictatorship has been able to spend abou 50 per cent a year more than its constitutional predecessor. The differenc(is accounted for, not so much by the junta's undeniably easier access t(international credit, but more by the higher world price of copper it ha: enjoyed and the uninterrupted mineral production that dictatorship ha: made possible. Thus, whereas the average world price of copper durin(the three years of Allende's presidency was 56 cents per pound, durin(the following three years the average was 75 cents.

Three motivations

What needs to be explained are the reasons for the junta's ruthless per sistence in its economic policies, regardless of the intensity of the slum(they have caused, or the degree of misery they have inflicted on so mucl of the population. There are three possible motivations, each preferred b a distinct sector of the political spectrum. From right to left we have rescuing the economy; proving a monetarist doctrine; and restoring clas: rule. Taken separately, none of these explanations is really capable o accounting for the regime's economic strategy; taken together (in th(correct proportions), they may offer a key both to the understanding o the past, and to the prediction of the near future.

The official justification for all that has been done has been that n(

[3] Including a great deal of precious human capital. A recent study by th(Chilean Association of Engineers found that at least 25·7 per cent of Chile's pro fessional engineers were living outside the country. Similarly the last few year: have witnessed an appalling wastage of medical personnel.

other course was possible if the dictatorship was to save the nation and rescue the economy. But it has not been difficult for critics to show that up to now the harsh medicine has failed to save the patient; instead it has produced 'side effects' probably as debilitating as the original symptoms. Nevertheless there is a kind of truth in this explanation that should not be ignored. Whoever was to blame, a major economic breakdown was well on the way by September 1973, and drastic action would have been required however the political crisis had been resolved. The consumption levels of at least some major social groups had to be drastically reduced, work discipline re-established, and productive efficiency restored as a major criterion for decision-making. According to its lights, the dictatorship has ruthlessly accomplished these three indispensable tasks, therefore it claims to be rescuing the economy. The claim carries conviction with many ordinary Chileans who became convinced that all three objectives were essential to national survival, and that neither Allende nor the other civilian politicians, whatever their merits, were capable of achieving them. Authoritarian methods have undoubtedly succeeded in drastically reducing consumption and thereby 'freeing resources' for export. Indeed, one of the junta's favourite indicators of the success of its policies has been the impressive growth of non-traditional exports since 1973. The other major indicator supporting the Government's claim to be re-establishing equilibrium, is the reduction in the fiscal deficit. At the end of Allende's term, under half of public expenditure was being financed by income (the opposition-dominated Congress having refused to vote tax increases). By increasing taxes and charges, slashing public services and hiving off most state enterprises, the junta succeeded in reducing the treasury deficit to 33 per cent of expenditure in 1974, 19 per cent in 1975. It will be virtually eliminated in 1976, as the result of measures which may severely diminish the state's future capacity to provide public services.

Budget-balancing brings us to the second explanation: determination to vindicate monetarist economic doctrines. Leading economic policy-makers have been nicknamed 'the Chicago boys' for their strong commitment to the ideas of Milton Friedman. It may seem hard to believe that an academic commitment could generate and sustain a policy like that of the junta's, regardless of the social, economic and even political costs entailed. However, the strength of loyalty that can be elicited by monetarist doctrines is easily underestimated by non-specialists; as well as being an academic doctrine, monetarism has an ideological appeal. In addition, Chilean conditions gave the school an unusual opportunity to experiment. The military were fully aware of their own ignorance of economics and yet could see that some very tough and long-term measures would be required.[4] Simultaneously, the social groups

[4] On the source of the junta's initial economic advice, the recent report on

required by the policy to make the most sacrifices had lost all means to defend themselves or press for restraint. The 'success story' of Brazil was at the height of its prestige. The passion to prove an economic doctrine must therefore be included as a significant element of the junta's make up. However, there are limits to the explanatory power of this approach. Initially the technocrats expected inflation to decelerate quite quickly: their predictions were repeatedly falsified by events; American monetarists began to fear that their theories might be discredited,[5] and to complain that the junta was not really following their prescriptions; and yet, despite this loss of doctrinal authority, the Chilean technocrats persisted, and retained their political influence, which indicates the importance of the third suggested explanation: the restoration of traditional social hierarchies.

The connection with economic policy may not be immediately apparent. Here the essential point is that a class which has come so close to extinction as the Chilean 'establishment' is unlikely to regard maximizing production as its sole, or even its highest, priority. During the period of maximum social conflict, professionals and property-owners were called upon to pay a high price in terms of economic dislocation in order to secure victory. After that phase there comes a more 'constructive' period, but what is sought above all is to construct a new social order, proof against the insecurities of the past. Security for the new regime and its social basis may well rank higher as a priority than the restoration of national prosperity. The upsurge in military expenditure will require no comment. The payment of generous compensation terms to expropriated interests may also take priority over productive investment. Similar considerations applied on other fronts. The index-linked savings deposits of SINAP (the housing bank) undoubtedly hampered the Government's efforts to control the money supply and end inflation; they have done nothing to shelter the construction industry from collapse; but they have provided the upper middle classes with a secure real return on their money (despite the absence of such returns in most of the country's productive enterprises). Likewise with unemployment: the wish to

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Chile from Senator Church's sub-committee says: 'Project files record that CIA collaborators were involved in programming an initial overall economic plan which served as the basis for the Junta's most important economic decisions.' (*Covert Action in Chile 1963–73*, Government Printing Office, Washington, 18 December 1975, p. 40.)

[5] The fears of the Chicago school were mirrored by the hopes of their American critics. For example, the anti-monetarist Congressman Reuss, Chairman of the Banking Committee of the US House of Representatives, has strongly denounced the junta, saying its error was to apply academic monetarism to an economy too vulnerable to resist the theoretically smooth effects of such a policy. He describes the result as a dog-fight between the biggest corporations to increase their share of a dwindling resource base, at the price of uncontrolled inflation and the destruction of the social services. In his view such an economic policy does not deserve the financial backing of the US.

punish an ungrateful working class, and to ensure that it remains powerless and intimidated, reinforces the stern dictates of economic orthodoxy in the direction of allowing unemployment to rise, or not hastening excessively to bring it down. In the agricultural sector, dispossessed landlords are liable to be favoured and politically unreliable nuclei of peasant producers penalized, with little regard to the consequences for production. About one-fifth of the land redistributed between 1965 and 1973 has been returned to its former owners, and the remaining beneficiaries of land reform are now bearing a heavy burden of compensation payments due to the former proprietors. As for the industrial and banking sectors, an extremely ambitious programme of denationalization seems intended to re-establish foreign managed enterprises in Chile on a substantial scale. The hoped-for benefits are as much political as economic. Not all acquisitions by any means have been by foreign investors: a handful of politically influential Chilean speculators have also acquired large empires. Thus, if the prevailing blueprint for Chile is the re-establishment of a laissez-faire market economy, it seems unlikely that the practical results will look very like the system described by Adam Smith. Unfortunately, the imagery of Bertoldt Brecht seems likely to prove more relevant.

Opposition forces

Liberals who find this model of society repellent are often inclined to hope that for that reason it must fail. However, the examples of Spain and Portugal, and Guatemala and the Dominican Republic, suggest that it might be over-optimistic to expect an early end to the dictatorship, even if its economic policies continued to produce miserable results, and its international image remained that of a pariah. Leaving aside the peculiar role of the Church, no major form of domestic opposition will be possible until the Government orders a relaxation of the repression. The top men in the regime clearly have no personal interest in ever doing that, so the issue is whether they can be forced. The Greek and Portuguese dictatorships ceased repression, and therefore collapsed, in the wake of external military humiliations. So far the Chilean dictatorship has been too canny in its external relations for these precedents to have much relevance. However, it is sometimes thought that since a discredited US Administration has become so publicly identified with the Chilean junta, a future administration, wishing to prove its commitment to democracy, might force the dictatorship out. This view probably over-estimates the effectiveness of US pressure, or at any rate the risks that any future administration would be prepared to run. The precedents are not encouraging. UN pressure against Franco in the late 1940s probably did more to stiffen the determination of the regime than to undermine it. Washington policymakers are likely to be even more discouraged by another prece-

dent: their loss of enthusiasm for Batista in 1958 did not pave the way to a friendly liberal democracy in Cuba, and Dr Kissinger's protégés have certainly made the texture of Chilean politics in 1976 more similar to that of Cuba in 1958 than anyone would have dreamed possible a few years ago. External pressures, therefore, seem unlikely to produce any substantial dismantling of the apparatus of repression.

Frei's manifesto

The great difficulties that will confront any critic of the present *status quo* who wishes to influence the course of events in Santiago from within are vividly illustrated by the example of Eduardo Frei's manifesto written last December, in which the Christian Democrat leader, former President, and bitter opponent of Allende sought to distance himself from the dictatorship. Since then Pinochet's hostility towards the Christian Democrats has been redoubled, and not even the high command of the pro-coup wing of the party is now exempt from harassment. Some rank-and-file party members, especially those in the trade union and peasant movements, began experiencing military persecution even before the overthrow of Allende, and in the 27 months of dictatorship that elapsed before Frei's first open protest, the great majority of his most active supporters were subjected to threats of dismissal or actual persecution unless they betrayed their democratic traditions. Frei himself, and his immediate entourage, long enjoyed relative immunity, since it was not in the junta's interest to antagonize unnecessarily the Church, conservative European politicians, or Frei's friends in Washington.[6] However, the rupture finally came with the publication in Santiago in a limited edition of Frei's portentously titled booklet, 'The Mandate of History and the Demands of the Future'.[7] Within a month, Frei's former aide-de-camp, the head of the Joint Chiefs of Staff and third man in the military hierarchy, an officer of proven ruthlessness, had been retired. (He was the 29th General to be retired since the coup.) In due course the ex-President was complaining that even his life was now being threatened. It appears that Frei needed considerable encouragement before deciding to take his stand, and that such support as he received from Washington was heavily qualified by concern that attempts to civilize the dictatorship from within might produce embarrassing and uncontrollable results.

Thus the system that Pinochet is now establishing openly disregards Christian Democrat scruples about the popular basis of legitimate rule,

[6] The Senate Report revealed that of the $6 m. spent on Frei's presidential election in 1964, over $3 m. came from the CIA. However, Frei denies knowledge of the source of his election funds and points out that the Senate Report never claimed that he was prepared to act unconstitutionally, despite Washington's hopes that he would.

[7] Eduardo Frei, *El Mandato de la Historia y las exigencias del porvenir* (Santiago, 1976).

and owes its existence solely to *diktat*. A purely consultative Council of State was established last June with its members all nominated from above, in view of which Frei declined to occupy the place allocated to him. An authoritarian new Constitution has been elaborated and will be cited as evidence of the re-establishment of 'democracy', but although the heavily purged legal profession may be gratified that its importance is thereby enhanced, promulgation of this document will apparently provide no opening for public debate and any eventual ratification by the public will be strictly controlled. The new Labour code currently in preparation seems unlikely to countenance any significant degree of autonomous labour organization, despite appeals from pro-junta Christian Democrats who recall the contribution of their union activists to the establishment of the dictatorship.

Despite its lack of practical impact, Frei's manifesto is instructive for what it implies about the current distribution of forces within Chile as assessed by a close observer. The manifesto condemns neither the coup, nor the military, nor the Nixon Administration. (Indeed, the name of Pinochet is never even mentioned; all that it says on this score is that the true achievement of Chile's nineteenth-century conservatives was to create an 'impersonal' state.) It is clear, therefore, that Frei continued to believe that despite the excesses of Pinochet and the embarrassment of Senator Church's revelations, internal backing for the overthrow of Allende and the exclusion of his movement from political life remained unshaken. On such a question his judgement must deserve respect. The manifesto persisted in classifying the UP as essentially totalitarian.[8] But Frei had at last found a new target in the 'extreme Right', presented as a small group of unspecified identity who have inspired almost everything the dictatorship has said and done since the coup.

> *Deep down they subscribe to the old doctrine of certain nineteenth* century gentlemen . . . who considered it a grave error to teach the poor ('*roto*') to read and write, for it might encourage disobedience. . . Their theory that any reform or change may pave the way to communism must imply that for them the great anti-Communists of history were the Tsars of Russia, who blocked every reform, put all their faith in repression and led their own empire to inevitable catastrophe, or General Batista whose conduct provoked a revolution and the advent to power of Fidel Castro. . . In actual practice right-wing totalitarianism has always been characterized by the establishment of a huge and costly

[8] But Bernardo Leighton, respected leader of the anti-coup wing of the Christian Democratic Party and Minister of Defence during Frei's presidency, said three days after the death of Allende, 'I have known Allende since 1931. I believe that he was a true democrat and that from the beginning to the end of his government he campaigned within the UP to impose his point of view.' On 6 October 1975, in Rome, unknown assailants shot Leighton in the head and grievously wounded him and his wife.

machinery of repression; by surrender of the economy to a few great monopolies; by thought control accomplished through propaganda and the manipulation of the media; and by the annihilation of the labour movement.

At this point Frei went so far as to affirm that

> we are against this ideology and this system which in due course has always ended in spectacular failure. We consider it the obligation of every Chilean, regardless of party, to cast out this ideological perversion.

Thereafter, however, the manifesto took pains to stress the need for authority, for the armed forces in future to play a more leading role in the life of the nation, and for the rule of law to be tempered by reliable guarantees against anarchy, paralysis or the appetite of minorities for vengeance.

No doubt Frei's strongest argument for persuading conservative Chileans of the advantages of democratization was the following:

> The passage of time does not work in favour of peaceful and constructive solutions. On the contrary, it favours the extremists, because when political organizations, trade unions and voluntary organizations are weakened, those who prevail are those with the greatest capacity for clandestine struggle, and because the accumulation of sufferings and the repression of ideas makes rational solutions progressively harder to attain.

Although dissociating himself from the totalitarian Right, Frei felt able, or inclined, to make only a very tepid overture to the 40 per cent of the population who persisted in supporting the UP:

> We believe that in Chile a broad social group were misled. It was not political or ideological sectarianism that motivated them, but a deep desire for justice and the satisfaction of their legitimate social aspirations. We cannot deny such people our respect and understanding if they really demonstrate *by their actions* that they are prepared to uphold the values of freedom and democracy against all tendencies towards totalitarianism or revenge.

Frei's proposals are in abeyance at the moment, but his recent pro-Carter report on the US presidential campaign, in *Ercilla*,[9] suggests that his hopes are not dead. Another source of encouragement to him will have been the course of recent events in Uruguay, where US influence has helped secure a limited modification of the dictatorship along the lines implied by Frei's analysis of the situation in Chile, i.e. restoring a certain

[9] *Ercilla* (Santiago), No. 2140, 4–10 August 1976.

degree of legality but leaving the main agencies of repression intact and unpunished, and outlawing the main popular organizations. This approach does, however, presuppose a degree of co-operation or passivity from the parties and activities of the Left (including the left of Frei's own party) that could well prove unsustainable in Chilean conditions.[19] Given the present circumstances within Chile, the Left is hardly capable of existing as an organized force (e.g. three top leaders of the clandestine Communist Party were arrested in May 1976), but nor is the Christian Democratic Party, technically in recess since the coup. If conditions were to arise in which the latter recovered a certain margin of manœuvre, the former would also benefit. Therefore the Frei approach seems either too ambitious (so long as his party remains impotent) or too conservative (likely to be unacceptable even to his own party in conditions of liberalization).

A more ambitious project, undoubtedly requiring a longer time-scale, would be a return to competitive party politics. The most hopeful precedents for this are Colombia and Venezuela, where, during the 1950s, the bitterly divided civilian politicians succeeded in reconciling their party differences in order to displace strongly entrenched dictatorships. *However, these precedents suggest that the economically privileged must* be offered a considerable degree of security and prosperity before they will transfer their allegiance. In Pinochet's Chile only those deeply incriminated in the dictatorship seem likely to remain economically privileged, and any conceivable alliance of parties would seem bound to espouse a range of redistributive policies that would be anathema to the Chilean establishment. It would be rash to underestimate the extent to which the establishment abandoned its traditional 'democratic' values during 1970–3. For over a year before Allende's fall, the watchword of the opposition was '*acumular rabia*'—store up hatred. The term accurately reflects the state of mind of those who made, or welcomed, the coup and does much to explain the subsequent conduct of the junta and the nature of its support. The many not very political individuals who denounced their neighbours to the police thereby acquired a strong motive for seeing that thereafter the authorities would continue to classify such acts as patriotism. In any case, individuals who feel differently have

[19] In May 1973, Frei's wing of the Christian Democrats captured the party apparatus from those more conciliatory towards Allende and it subsequently refused to condemn the coup, but despite this the party never formally split. From exile the dissidents support an anti-Fascist front that would include the parties of the UP. They say that the restoration of party unity would require Frei's wing to forswear all contact, either public or private, with 'those who hold power' (i.e. not merely Pinochet) and to agree to collaborate with the other anti-Fascist parties. A first meeting with Popular Unity parties was held in Caracas in July 1975. This wing envisages an anti-Fascist front on a basis summed up by the party's 1970 presidential candidate, Radomiro Tomic, as follows: 'Communist party *participation* is *indispensable*, Communist Party *leadership* or Communist predominance in Chile *is impossible*.'

little capacity to influence events. For in the process of mobilizing against Allende, hierarchically disciplined groups came to dominate middle-class workplace, neighbourhood and interest associations, suppressing their internal diversity. Since the coup it has been easy, in a climate of external harassment, economic crisis and ideological warfare, to justify the continuation of intolerance and vertical control. In summary, the dictatorship owes much of its durability to the success of the Popular Unity government in transforming Chilean society. It is precisely because the UP succeeded in winning over most of the working class that the dictatorship can justify to its supporters the current appalling levels of repression and unemployment. Likewise the UP's success in exposing the class nature of Chile's 'democratic' institutions redoubles resistance to the restoration of any kind of democracy.

Canada and Latin America

JAMES JOHN GUY

The Trudeau Government has articulated a distinct foreign policy towards Latin America, based mainly on the perception of trade advantages but also on the desire to increase Canada's independence of the United States in the Western Hemisphere.

IT was not until 1968 and the accession to power of Pierre Elliot Trudeau that Canada appeared to initiate policies of a promotive nature towards Latin America. At this time Canada's Department of External Affairs began the most fundamental re-examination and reorganization of Canadian foreign policy priorities.[1] The Foreign Policy Review laid the basis for the articulation of Ottawa's 'Third Option' foreign policy which aspires 'over time to lessen the vulnerability of the Canadian economy to external factors, including, in particular the impact of the United States...'[2]

[1] According to Mitchell Sharp, then Minister of External Affairs, 'It was the first time that any Canadian Government had clearly and methodically shown how Canadian foreign policy was intended to promote Canadian objectives'; Canada, *Statements and Speeches*, No. J3/14 (Ottawa: Department of External Affairs, 2 May 1973), speech by Mitchell Sharp, 'Basic Principles of Canada's Current Foreign Policy', p. 3. See also Dale Thomson and Roger Swanson, *Canadian Foreign Policy: Options & Perspectives* (Toronto: McGraw-Hill Ryerson Ltd, 1971).

[2] Mitchell Sharp, 'Canada–U.S. Relations: Options for the Future', *International Perspectives* (Ottawa: Department of External Affairs, Autumn 1972).

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What resulted for the first time in the history of the Department of External Affairs was the articulation by the Trudeau Government of a distinct policy towards Latin America. Recognition of the new and growing importance of Latin American nations to Canada in both the bilateral and multilateral fields was demonstrated in foreign policy terms with the publication in 1970 of the Department of External Affairs' special policy booklet entitled *Foreign Policy for Canadians: Latin America.* No longer perceiving Canada's primary role as a North Atlantic actor committed solely to an Atlantic Alliance, the Trudeau Governnent acknowledged the fact that 'Canada is a distinctive North American country firmly rooted in the Western Hemisphere (p. 5).' The foreign policy paper gives some careful and systematic consideration to the notion of regional politics for Canada based upon relations germane or distinctive to the Western Hemisphere. In this orientation Canada is viewed primarily as an American nation destined to play a significant role in the inter-American system. And, in a press statement in May 1968, Trudeau expressed his personal interests in Latin America which reflected this sentiment:

> We have to take greater account of the ties which bind us to other nations in this hemisphere—in the Caribbean, Latin America—and of their economic needs. We have to explore new avenues of increasing our political and economic relations with Latin America where more than four hundred million people will live by the turn of the century and where we have substantial interest.[3]

In addition to the policy projections which verbally acknowledged a desire for closer Canadian–Latin American ties, the foreign policy paper indicated a need for some restructuring of the Department of External Affairs to ensure the co-ordination of policy planning toward the Latin American area. This suggested structural adaptation materialized with the creation in 1971 of a Bureau of Western Hemisphere Affairs under the oversight of a Director-General. The primary task of the Bureau is to co-ordinate and supervise the implementation of Canada's foreign policy as it relates to Latin America and the inter-American system.[4] The Latin American Division of the Bureau of Western Hemisphere Affairs is also associated with the Department of Industry, Trade and Commerce which sends ministerial missions to Latin American countries to establish trade and cultural ties.

Canada's new orientation towards Latin America was also demonstrated in 1971 by the achievement of Permanent Observer Status in the Organization of American States,[5] with a fully accredited Ambassador to

[3] Quoted from Peter Dobell, *Canada's Search for New Roles—Foreign Policy in the Trudeau Era* (London: Oxford University Press, 1972).

[4] Canada, Department of External Affairs, *Annual Report*, 1971.

[5] For a discussion of the significance of this status, see Pierre de Bane, 'Speech to the General Assembly of the Organization of American States' (Washington:

the OAS in Washington. The following year Canada obtained Permanent Observer Status with the Andean Group (*Grupo Andino*) which aspires to organize a regional economic grouping on the model of the Central American Common Market. Canada's most important multilateral link with the Latin American nations of the Western Hemisphere was made on 3 May 1972, when the Trudeau Government acquired full membership of the Inter-American Development Bank (IDB). By 1973, Canada had full membership status in eight inter-American organizations, and she is now a member of three of the six specialized organizations of the OAS: the Pan American Institute of Geography and History (PAIGH); the Pan American Health Organization (PAHO); and the Inter-American Institute of Agricultural Sciences (IAIAS). Canada is a member of some of the special commissions and agencies within the OAS that have independent status and technical and administrative autonomy: the Inter-American Statistical Institute (IASI); the Inter-American Centre of Tax Administrators (CIAT); and the Centre for Latin American Monetary Studies (CEMLA).

Canada and the OAS

As a non-member participating in an observer capacity, Canada cannot vote on questions before the various organizations of the OAS. However, the OAS has not formalized any overall policies restricting non-member participation.[6] In practice, the various organs of the OAS, with the possible exception of the Meeting of Consultation of the Ministers of Foreign Affairs, tend to allow a non-member forms of participation that fall short of voting. Permanent Observer Status, for example, entitles Canada to attend meetings of the Inter-American Economic and Social Council; Canadian observers may also attend the proceedings of the Inter-American Council for Education, Science and Culture.

The question of Canada's full membership in the OAS was raised with Prime Minister Trudeau by the presidents of Mexico and Venezuela in January and early February of 1976. While on a Latin American tour of three countries including Cuba, Prime Minister Trudeau promised that his Government would re-examine the ramifications of Canada's membership in the OAS. However, it is unlikely that this reconsideration will lead him to apply for full membership. As a signatory of the OAS Charter, Canada would, by obligation, undertake also to sign the Inter-American Treaty of Reciprocal Assistance (Rio Treaty).[7]

General Secretariat of the Organization of American States, No. E-51/73, 9 April 1973), pp. 5–6.

[6] This matter is discussed in great detail by Jung-Gun Kim, 'Non-member Participation in the Organization of American States', *Journal of Inter-American Studies*, Vol. X, No. 2, April 1968, p. 211.

[7] See Ronald Scheman, 'Admission of States to the OAS', *American Journal of International Law*, Vol. 58, October 1964, pp. 970–1.

The objectionable political obligations for Canada arise essentially from Articles 8 and 20 of the Rio Treaty. Under its provisions, an affirmative vote of two-thirds of the members of the OAS would bind Canada to one or more of the following measures to deal with extra-continental or intracontinental conflict: (*a*) recall of chiefs of diplomatic missions; (*b*) breaking of diplomatic relations; (*c*) breaking of consular relations; (*d*) partial or complete interruption of economic relations or of rail, sea, air, postal, telegraphic, telephonic and radiotelephonic, or radio-telegraphic communications; (*e*) use of armed forces (Article 8).

The only exception to the absolute binding nature of the above measures is stated in Article 20 of the treaty: 'No state shall be required to use armed forces without its consent.' However, the decisions which would require the application of the measures specified in Article 8 would restrict Canada's freedom to promote relations with any nation it chooses in the Western Hemisphere, e.g. Cuba.[8] Unless the signatory governments would be willing to accept a Canadian reservation that all of the measures arising from Article 8 be subject to Canada's consent, it is unlikely that the Trudeau Government will apply for full membership of the OAS.

Trade

Canada's trade with the nations of Latin America has shown consistent growth in dollar terms but not as a significant percentage of her world trade. In 1948 Canada exported $98·6 m. to Latin America and imported $81·2 m.[9] By 1970 imports and exports were more than five times what they were at the end of the Second World War. After the Foreign Policy Review Canadian exports increased from $546 m. in 1970 to $1,829 m. in 1974 and imports increased from $553 m. to $1,259 m. for the same period. In percentage terms these figures represent an increase of more than 333 per cent in exports and 225 per cent in imports. It should be noted that these increases have not represented a substantial proportion of Canada's world trade. But from 1970–5 Latin America moved from 2 per cent to 4 per cent of Canada's total world trade.

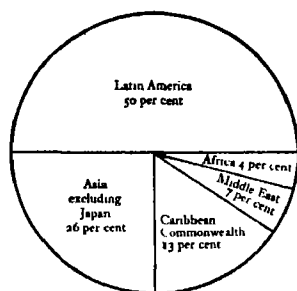
Historically, approximately 80 per cent of Canada's trade has been with the United States and the United Kingdom. Accordingly there was little need for Canada to promote new trade with the developing nations of the world. But it is interesting to note that by 1970 Latin America led all other developing areas in the world with which Canada trades (Figure 1). Canada has sought to replace some of the large volume of trade lost

[8] Canada continued her external relations with Cuba notwithstanding the trade embargo of the OAS. For an up-to-date analysis of Canada's relationships with Cuba, see Robert Lewis, 'The Cuban Connection', *Macleans*, Vol. 89, No. 2, 9 February 1976, pp. 23–8.

[9] Canada, Dominion Bureau of Statistics, *The Canada Year Book 1950*, pp. 905–12.

through British and Scandinavian entries into the European Economic Community. Britain's gradual retreat behind the Common External Tariff of the EEC in itself means that approximately $700 m. in Canadian products will be adversely affected to some extent.[10] It has been estimated that 50 per cent of Canada's exports to the British market have been placed at the same relative disadvantage as are exports from other non-EEC nations.[11] In this regard the Trudeau Government has looked to

Figure 1.

Canada's Trade with Developing Areas

SOURCE: Canada, *Statements and Speeches*, No. 70/16 (Ottawa: Department of External Affairs, 1970).

Latin America as an important new area to replace the loss of these markets elsewhere.

One of the methods by which Canada has attempted to extend her trade relations with Latin America has been by sending special ministerial missions to develop political ties and to market Canada's export potential. In 1968 a federal multi-ministerial mission visited nine Latin American countries, trade missions to Latin America were organized in January and October 1974, and in March 1975 ministerial missions visited Cuba and Venezuela. The first official long-planned visit to Latin America by a Canadian head of government took place in January and February 1976, opening possibilities for increased trade especially with Mexico, Cuba and Venezuela.

In all of Latin America Venezuela creates the largest and one of Canada's most significant trade deficits in excess of one billion dollars.

[10] Dalton Robertson, 'Britain's EEC entry means basic change at home, not pre-eminance', *The Financial Post*, 12 May 1972, p. B-1.

[11] Roy Matthews, 'Britain's Entry into Europe: Why Canada Needn't Worry', *The International Review*, Vol. 1, No. 7, 25 December 1972, p. 8.

The Trudeau entourage intimated to the Venezuelan Government that Canada wished to reduce this deficit to more manageable proportions by seeking to sell Canadian-made railway, aircraft and mining equipment to Venezuela. The Venezuelan President, Carlos Andrés Pérez, who described Trudeau's Latin American tour as a 'historic moment', suggested that Canada should seek to obtain 'observer status' with the Sistema Económico Latinoamericano (SELA). This continent-wide organization which was first proposed by the Mexican President, Luis Echeverría, has a number of important trade and investment advantages for Canada. Its secretariat is preparing projects in the Caribbean, an area of the world where Canada already has a strong economic foothold. SELA is preparing outlines to expand the Caribbean fleet, in addition to strengthening the Caribbean fishing industry and the agro-industrial operations. There are feasibility studies under way for an aluminium plant in Jamaica and a pulp and paper mill in Honduras, all of which may attract Canada's interests.

Trudeau's visit to Mexico was intended primarily to increase trade between both countries. Canada enjoys a favourable balance of payments with Mexico, showing $114 m. in imports against $192 m. in exports for 1974. The Canadian Government wants to sell railway cars, locomotives, Dash-7 passenger planes, prefabricated houses and possibly a CANDU nuclear reactor. Until now principal exports to Mexico have only included dairy produce, newsprint, motor vehicle parts, asbestos and wood pulp. Canada's interest in selling beyond these products has been exemplified in such activities as the extension of Canadian government-assisted long-term credit arrangements for Mexican buyers through the Export Development Corporation (EDC). In January 1974, a Canadian trade mission visiting Mexico signed EDC loans totalling $12·7 m. for such projects as a steel plant, railway maintenance and the development of nuclear energy. Mexico and Canada also share basically the same foreign-policy positions in their relations with Cuba and the United States: both countries have expressed the desire that OAS members normalize relations with Cuba and become less dependent on the United States in matters of trade and foreign investment.

Canada and Cuba have enjoyed favourable economic relations since Fidel Castro came to power and incurred the harsh retaliation of US foreign policy. Successive Canadian governments refused to participate in the trade embargo organized by the United States and legitimized by most OAS members. Instead, Canada continued to sell to Cubans many of the basic products they require to sustain the transport and agriculture sectors of their economy, commodities that would otherwise have been difficult to obtain from other nations in the Western Hemisphere.

Canada's imports from Cuba comprise mainly raw sugar, fish and tobacco and totalled $76·3 m. in 1974; Canadian exports to Cuba

amounted to $145·9 m. and are made up of wheat, flour, meat, dairy produce, lumber and equipment. Premier Castro indicated to Prime Minister Trudeau that Canada should buy more sugar from Cuba to help reduce the deficit with Canada. At present, Cuban purchases in Canada make it the fourth major Latin American trading partner with Canada after Brazil, Mexico and Venezuela.

But trade was not the only reason why Trudeau chose to visit Cuba. Canada's continued relations with Cuba since the revolution of 1959 have come to represent a mark of independence from the United States in foreign-policy matters. Prime Minister Trudeau was not only the first Canadian leader but also the first Nato government head to visit Cuba officially. In the past, Canada's external relations in the Western Hemisphere have always been sensitive to the overpowering regional presence of the United States; this has tended to result in Canada's acquiring a global rather than a regional orientation in foreign policy. But the present Canadian Government under Prime Minister Trudeau has used bilateral and multilateral channels to enhance its presence in Latin America. Canada's summitry in Cuba is a cornerstone in the Trudeau Government's formulation of a distinctly Canadian role in hemispheric affairs.

Investment

Canadian investment in Latin America has been conducted through public banking institutions and private enterprise. Canada's public investments to that area have included the export of capital in the forms of government loans, advances and subscriptions through such agencies as the International Bank for Reconstruction and Development (World Bank), the International Monetary Fund and the International Finance Corporation.

On 3 May 1972 Canada became a full member of the Inter-American Development Bank (IDB). In foreign-policy terms, Canada's accession to full membership reflected a promotive policy orientation toward the nations of Latin America. Prior to full membership Canadian investment and development assistance funds were placed under IDB administration by a special agreement entered into in 1964. From that time and especially since 1972, Canada contributed a total of $242,680,000 with $40,000,000 paid in and $202,680,000 callable.[12] And for the fiscal years 1976 to 1978, Canada will contribute approximately an additional $100,000 to the Ordinary Capital Fund and the Fund for Special Operations.

Canadian Chartered Banks have long been investing in the nations of Latin America. The Royal Bank of Canada established a branch in Havana in 1899 and by 1910 had opened important operations in 29

[12] Inter-American Development Bank (IDB), *Annual Report*, 1975.

islands and countries south of the Rio Grande.[13] Both the Royal Bank of Canada and the Bank of Nova Scotia now have extensive representation in the Dominican Republic, Puerto Rico and the Commonwealth Caribbean. Other Canadian banks have followed the Royal and Nova Scotia to Latin America. The Bank of Montreal and the Canadian Bank of Commerce have made significant investments in the Mexican economy. Their interests date back to the Mexican Revolution (1910) and included the Light and Power Company of Mexico City, the Light and Power Company of Monterrey, railways, electrical stations and lands with mining potential.[14]

Canadian incorporated companies have made direct investments in many of the nations of Central and South America. The Canadian Association for Latin America (CALA) which was formed in 1968, has a membership of approximately 158 companies. CALA reports that over 25 per cent of these member companies have direct investments in Latin America.[15]

The Canadian Government has encouraged investments in these countries by facilitating access to markets through improving EDC insurance coverage and making it more competitive with programmes offered in other countries.[16] The Government also negotiates double taxation agreements with Latin American governments whenever multiple tax jurisdictions discourage investments.

Recently published data for 1973 show that with respect to Canadian direct investment abroad Latin America ranks third (with $971 m.) after the United States ($3,924 m.) and the EEC ($1,230 m.). At present, the United States retains its dominant position, accounting for approximately 50 per cent of Canada's direct investments abroad. Until the late 1960s, Canadians were inclined to regard the Latin American market as being too much trouble for investment opportunities. But Canadian investments there have increased dramatically, now constituting approximately 12 per cent of Canada's total investment. Nevertheless, while it is true that Canadian government and private investments have increased significantly since 1968, in the final analysis Latin American countries will have to provide more inducements. To date, many Canadian companies have come to regard investing in Latin America as troublesome

[13] See Graeme S. Mount, 'Aspects of Canadian Economic Activity in the Spanish-Speaking Caribbean', *Laurentian University Review*, Vol. 5, No. 1, November 1972.

[14] *ibid.*, p. 90.

[15] Conversation with Michael Millroy, Canadian Association for Latin America, 1 June 1976. See also, *List of Companies, Incorporated in Canada and Holding Direct Investments in Latin America* (NA); Latin America Division, Bureau of Western Hemisphere Affairs, Department of Industry, Trade and Commerce, August 1973.

[16] Colin Bradford and Caroline Pestieau, *Canada and Latin America: The Potential for Partnership* (Montreal: Private Planning Association of Canada, 1971), p. 111.

and risky for the results they can obtain there. Tax incentive legislation favouring Canadian investors could well be the deciding factor in future investment decisions.

Canada's private sector has been encouraged to follow the Government's promotion initiatives in Latin America. For example, the Business and Industry Division of CIDA was formed in 1971 to encourage Canada's private sector to participate through investments in programmes of economic development. One of the functions of the Division is to prepare information profiles on Latin American nations and to distribute them to Canadian investors through organizations such as CALA. In addition, the Division has a Pre-Investment Incentive Programme which consists of joint government and industry financing of investment studies. The Department of Industry, Trade and Commerce has recently created a new Centre for Joint Ventures which informs Canadian investors of the ground rules for investment established by host countries.

Aid

Canada's official foreign aid dispensing agency is the Canadian International Development Agency (CIDA), which superseded the External Aid Office (EAO) in 1968. CIDA appropriates bilateral and multilateral development aid to the developing countries of the world including Latin America. In the fiscal year 1974–5, CIDA disbursed $760 m. for aid, an increase of about 30 per cent over the 1973–4 figure of $588 m.[17]

Canada's aid contributions to the nations of Latin America have been relatively recent and channelled primarily through multilateral agencies, particularly the IDB. In November 1963 the Canadian Government announced the allocation of a $50 m. development loan programme to begin in 1964 and to be administered through IDB—Canada's formal entry into an aid programme directed towards Latin America. In 1970, the Trudeau Government initiated a programme of bilateral assistance to Latin America; by 1975 this accounted for 4 per cent or $21 m. of Canada's bilateral assistance to the developing world. This aid programme is concentrated in three major sectors of Latin America's development needs. They are: agriculture (including forestry and fisheries), education and community development. There is no question that project aid is the largest single kind of bilateral disbursement to these sectors. Out of a total of 230 planned projects to Latin America, 100 were in operation in 1975. A Canadian Project Preparation Fund was created in the IDB in 1974, with an initial contribution of $1·5 m.[18] The establishment of this fund is directed at underwriting development projects and feasibility studies that result in the procurement of goods and services in Canada or in the Latin American country where the project takes place.

[17] CIDA, *Annual Review 1974–75*, p. 9. [18] *ibid.*, p. 61.

CIDA support has also been directed at the Andean Development Corporation to the amount of $5 m.[19] What appears to attract Canada's attention to the Andean Group is the anticipated development by 1980 of a modern industrial economy on a regional scale. Canada has made moves toward acquiring economic association with the Andean Group. The Andean Sub-regional Integration Agreement signed in Bogota in 1969 commits the member countries to industrial sector development programmes that will promote the expansion of manufacturing production in the steel, automotive and petrochemical industries. There are, therefore, opportunities for the export of Canadian machinery and other capital goods within this new regional economic grouping.

Of particular interest to the Trudeau Government is the implementation of the Andean Investment Code adopted in December 1970 and known as *Decision No. 24*. The Andean Investment Code is unique because it provides for a multilateral approach to the thorny question of foreign investments as they apply principally to public utilities, financial institutions, communications and the domestic wholesale and retail trade. The role of US investment in Canada and Canada's emerging efforts to control these investments are the stimuli for her new 'observer status' in the Andean Pact. The novel fade-out provisions of the Code which require investors to transfer majority ownership to local investors according to a fixed timetable have parallel applications in the Canadian economy.

Domestic links between Canada and Latin America have been established through Non-Governmental Organizations comprising religious orders, voluntary agencies and private groups. Of approximately 120 Canadian NGOs engaged in various forms of international assistance, 54 organizations include Latin America with other world areas as recipients of development assistance. Eleven NGOs are specifically designed to aid only Latin American nations. In 1968, the Trudeau Government established a special programme of assistance administered through CIDA to fund NGOs involved in international development. All private organizations concerned with Latin America are eligible to receive assistance from CIDA's Non-Governmental Organizations Division, which subsidizes approved NGO projects up to 50 per cent of their cost. In 1975, CIDA sponsored 28 per cent of the cost of NGO projects in Latin America. Thus it would seem that NGOs with Latin American interests have been granted some recognition for the role they play in developing Canada's external relations towards that area of the world. They have become an enduring feature of Canada's domestic linkages south of the Rio Grande, and they are significant because they have emerged domestically in a nation that traditionally has had very little direct concern with Latin America.

[19] *ibid.*, p. 62.

Conclusion

Canada's official and continuing reluctance to acquire full membership in the OAS in no way precludes the development of closer ties with each Latin American nation or with the inter-American system in general. However, Canada is now at the point in the evolution of her political and economic linkages within the hemisphere where a decision to consolidate ties with Latin America will necessarily entail serious consideration of full membership in the OAS.

Trudeau's foreign policy since 1968 has tended to treat Latin America as an area of new significance on both the bilateral and multilateral fronts. But all aspects of Canada's foreign activity as an American nation will depend on the maintenance of her relationship with the United States. It is not generally appreciated that additional Canadian participation in the hemispheric system will require at least as much consideration for its implications for Canada–US relations as it does for Canada–Latin American relations. There is no doubt that the long-term trend seems to be moving Canada towards fuller integration in the hemispheric community. But Canada's linkages with Latin America have developed primarily for economic reasons. The Trudeau governments have displayed no impulse towards hemispheric hegemony by seeking to challenge US political leadership in the inter-American system.

Since 1968, the object of Canadian foreign activity in respect of Latin America has been the promotion of economic ties to compensate for the shrinking opportunities for new markets in Western Europe and the Commonwealth. However, permanent observer status in the OAS, full membership in the IDB, and increased bilateral and multilateral aid and investment are all indicators of relatively enduring characteristics in Canadian-Latin American linkage patterns. Bruce Thordarson takes all this 'to be an indication that it (the Trudeau Government) leans toward eventual membership in the OAS, in accordance with Mr Trudeau's own wishes.'[20] There is indeed a growing body of evidence to bear out this prospect.

[20] Bruce Thordarson, *Trudeau and Foreign Policy, A Study in Decision-Making* (Toronto: Oxford University Press, 1972), p. 71.

'Eurocommunism' and the pan-European conference

MILORAD POPOV

AT the initial formal consultative meeting for a pan-European Communist conference in Warsaw in October 1974, it was decided that the conference would take place 'not later than mid-1975'. One year behind schedule, and after several preparatory gatherings characterized by tortuous inter-party polemics (ostensibly over the document to be issued by the conference), the Conference of European Communist and Workers' Parties finally met in East Berlin on 29 and 30 June 1976. The last such meeting had taken place in Karlovy Vary (Czechoslovakia), in April 1967. It is highly unlikely that a similar conference will take place in the foreseeable future. In an assessment of the conference, reported in *l'Humanité* on 2 July, the French Communist Party leader, Georges Marchais, noted: 'In our delegation's speech we submitted the idea that in the future conferences like this will undoubtedly no longer meet the needs of the time.' A similar statement was issued by the Executive Committee of the Communist Party of Great Britain, which commented: 'Last month's conference in Berlin and the preparations for it, indicated that some methods utilized hitherto in the international Communist movement were no longer appropriate' (*Morning Star*, 12 July 1976).

Neither the French nor the British, nor for that matter any of the other critics of the Berlin meeting, were expressing opposition to multilateral Communist conferences *per se*. The Communist Party of Great Britain, indeed, emphasized: '. . . international conferences and meetings of Communist Parties can perform a valuable and irreplaceable role in enabling the parties to meet, to exchange opinions, in order to reach understanding of one another's assessment of world phenomena, to share one another's problems and experiences of activity and agree on matters of common concern which can be the subject of united action.' The objection was to international conferences 'which attempt to work out comprehensive lines of policy, strategy and tactics intended to be valid for all parties.' In a similar explanation, Georges Marchais had stated: 'It seems to us opportune to reflect on and seek new and more vital, more flexible forms of joint encounter in order to make possible an exhaustive and direct discussion about any current problem without the initial

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obfuscation about issuing or not issuing a document.'[1] Within a week of the Berlin conference, the French Communist Party hosted, in Strasbourg, a meeting of 15 West European Communist parties, which focused on alleged 'professional restrictions' practised in West Germany against Communists. Such issue-oriented multilateral meetings, while not broadly publicized, have taken place quite frequently in the past two years. They have included topics such as co-ordination of response to multinational corporate activity, most notably in the automobile industry. West European meetings of a more general nature tend to be avoided. The most recent one took place in January 1974, in Brussels. It brought together delegates from 20 parties.

Different national contexts

The willingness to co-ordinate actions on specific—non-controversial—issues, and the evident reluctance to engage in discussion over more comprehensive strategy is a development which reflects a growing awareness within West European Communism that a given party's fortunes will best be served if its actions and stances are dictated by the priorities of its own national context. Conditions vary from one European country to another, and from year to year (as in Portugal and Spain). Moreover, the Communist parties themselves have varying degrees and options of leverage. The Italian Communist Party, with a membership of 1,738,701 (as of May 1976), control of six crucial regional governments (Emilia, Tuscany, Umbria, Liguria ,Piedmont and Lazio), 228 seats in the 630-member Chamber of Deputies and 34·4 per cent of the electoral vote, can bid for power through electoral and parliamentary channels. While it certainly has to take into account the views and potential support of the small Italian Socialist Party (PSI), Socialist-Communist relations in Italy are by no means as determinant as in France, where the French Communist Party's fortunes are closely tied (and threatened) by the increasingly powerful Socialist Party. At another level, the Communist Party of Great Britain (CPGB) has only 28,519 members, no representation in Parliament and an electoral vote of 0·5 per cent. At the same time the CPGB has significant influence within the trade union movement, with a consequent national leverage which in no way corresponds to the party's size or public support. Yet another variation can be found in Spain, where since Franco's death King Juan Carlos' policies of political liberalization have created a fluid political situation, which can be

[1] The document in question—'For Peace, Security, Co-operation and Social Progress in Europe'—was published at the conclusion of the Berlin conference. Despite some 18 months of debate over its content, it was not signed, nor endorsed by vote, but merely issued without any characterization as a 'declaration' or 'communiqué' or, even, 'joint statement'. It is, therefore, not binding on any of the 29 participating parties, nor, for that matter, does it reflect the varying stances taken by the parties' spokesmen in their speeches to the conference.

exploited by a well-organized formation, such as the Communist Party of Spain (PCE). At a meeting of the party's Central Committee, held in Rome at the end of July, the PCE's Secretary-General, Santiago Carrillo, noted that he and Chairman Dolores Ibarruri would return to Spain, end the party's clandestinity—transforming it into 'a real party of the masses'—and open up offices both in Madrid and other major cities. Carrillo stated that the PCE intended to build up a membership of 100,000. In 1975, the party's membership was estimated at 5,000 in Spain, and 20,000 abroad. Finally, there are several West European parties which have, at best, only marginal influence. These include the Communist parties of Austria, Turkey and Denmark. (The Communist Party of Denmark registered some gains in the 1975 elections, but this appears to be a temporary phenomenon and has to be seen within a context of a generally consistent downhill slide since 1945.)

In the light of these different national contexts, varying party strengths and evolving tactical priorities, it is evident that the adoption of a document which could be interpreted as laying down a 'general line' for European Communism would meet resistance. During the two years that preceded the Berlin conference, this resistance was compounded by an evident Soviet desire to link the 'general line' to an endorsement of Soviet views and policies, and an equally strong need for some West European parties to demonstrate their independence. The latter included not only criticism of the repressive characteristics of the Soviet and East European regimes, but also advocacy of attitudes such as support for multi-party systems and freedom of the press. For the Western parties, this courtship of domestic public opinion through an emphasis on disagreement and contrast with the practices in Communist states, had obvious advantages. It encountered, however, exceptionally strong Soviet sensitivity. Thus, for example, the much publicized abandonment of the terminology 'dictatorship of the proletariat' at the 22nd Congress of the French Communist Party (in February 1976) evoked a notably cool reaction from Moscow, even though the French action was only presentational. Indeed, all that the PCF had done was to note that the proletariat was the 'kernel' of a broader working class. The latter, in line with 'scientific Socialism', and on the basis of its strength, experience and organization (meaning the PCF), would assume the leading role in the Socialist transformation of society.

Independence and militancy

The interplay between Western Communist positions, Soviet criticism and Western response (which often included the adoption of a stance even more objectionable to Moscow) had a further effect. It gave rise to perceptions of dictate, which, in turn, fuelled opposition to the concept of a 'directing centre' in the international Communist movement. Spain's

Santiago Carrillo was among the most colourful in expressing this opposition. In his speech at the Berlin conference, he stated: 'Moscow, where our dreams first began to come true, was for a long time a kind of Rome for us. We spoke of the Great October Socialist Revolution as if it were our Christmas. This was the period of our infancy. Today we have grown up.' Carrillo has also tended to offer the most decidedly unorthodox pronouncements. Thus, in an interview published by the Milan daily *Corriere della Sera* on 1 August 1976, he responded to a question regarding the Spanish monarchy by saying: 'If the people were to pronounce themselves, in a referendum, for the monarchy, I, who fought for the republic—we Communists, who are republicans—would loyally accept the monarchy.'

Advocacy of independence and/or public disapproval of Soviet policies does not, however, automatically indicate moderation or lack of militancy. The French Communist Party, for example, has expressed its 'most formal disapproval' of Soviet prison camps, and, at the party's 22nd Congress, its Secretary-General Marchais stated: 'We cannot admit that the Communist ideal . . . should be stained by unjust and unjustifiable acts.' Marchais has, likewise, repeatedly stressed that the party's policies were made 'in Paris, not in Moscow'. At the same time, the PCF's opposition to the content of the pan-European document, during the various stages of its formulation, focused primarily on its lack of militancy. On 14 May 1975, the party's newspaper, *l'Humanité*, reported that the differences had nothing to do with any confrontation between 'centralists' and 'autonomists'. The real issue, it claimed, was: 'Does action necessary to consolidate détente and progress toward collective security call for a determined struggle against imperialism? Or, on the contrary, should imperialism be dealt with gently for diplomatic reasons and in view of domestic circumstances?' It was generally known 'that the PCF supports the first of these two theses'. Elaborating on the theme, *l'Humanité* stated:

> Can the Communists agree with the idea that the workers should accept sacrifices in a crisis situation affecting the capitalist system? Or should they, on the contrary, intensify their struggle to extricate their country from the crisis? The PCF opposes the first of these two views. Furthermore, it is very attached to the view that peaceful coexistence can in no way mean that the social and political 'status quo' should be maintained. . . It is absolutely out of the question that they support documents likely to spread confusion in this sphere.

The following year, during the pan-European conference's preparatory session of 16–18 March, there were reports that the PCF had criticized the current draft for its lack of 'class analysis'. It demanded a more militant document, with particular reference to Nato as well as to the

'aggravation of the crisis of capitalism' and its consequences for the policies of Western Communist parties. The PCF was also, reportedly, highly critical of accommodating Soviet attitudes to French foreign policy. On the eve of the Berlin conference, the party's chief spokesman on foreign affairs, Politburo member Jean Kanapa, gave a radio interview, in which he noted: '... the term "proletarian internationalism" does not figure in the draft document, but I must say that this is not our doing.'

Soviet claims and 'Eurocommunism'

Kanapa's reference to 'proletarian internationalism' is of particular interest in that during the months that preceded the Berlin conference the term had become increasingly synonomous with endorsement of the Soviet view of inter-party relations. At the conference itself, the majority of the speeches of the West European delegates included advocacy of the concept. This was duly noted, and reiterated, by the Soviet media during the following weeks, and on 5 August the Soviet Defence Ministry's daily, *Kraznaya Zvezda*, carried an article, entitled 'The Party of Proletarian Internationalism', which juxtaposed the concept with the assertion: 'In various Communist forums, including the recent one in Berlin, representatives of the fraternal parties have repeatedly emphasized that the Soviet working class and its vanguard—the CPSU—constitute the vanguard detachment and the spearhead of the international workers' movement.'

This Soviet claim, which the Italian Communist daily *l'Unità* dismissed the following day as having 'no basis in fact', was only a partial distortion of reality. Even within Western European Communism, a majority of the parties still view the CPSU as *primus inter pares*, including the influential Progressive Party of the Working People of Cyprus (AKEL), which, in proportion of party members to national adult populace, ranks second only to its Italian counterpart among non-ruling parties and has the strongest electoral support of all non-ruling parties. Indeed, a valid counter-charge could be made against the Italian Communist Party's use of the term 'Eurocommunism'. In a commentary on the Berlin conference, the veteran Italian Communist reporter, Giuseppe Boffa, concluded with the assessment: '... at least in West Europe it is with this Communism, or if you like, with this "Eurocommunism" that everyone must come to terms' (*l'Unità*, 3 July 1976). Would the concept embrace the Turkish Communist Party, whose assessment of the Berlin conference, issued on 6 July, included a characterization of the Soviet Union as 'the main support of the party of the great Lenin and international proletariat'? Would it include the Austrian Communist Party, which, through its Chairman, Franz Muhri, recently reiterated its support for the 1968 Soviet-led invasion of Czechoslovakia?[1] To be fair, and

[1] In an interview given to the Viennese daily *Kurier* on 12 July 1976.

if one is counting heads, 'Eurocommunism' would also have to include the numerous Trotskyist and Maoist parties in Western Europe, which are present in virtually every country. While Maoism seems to be on the decline, Trotskyism continues to increase its representation within the spectrum of the extreme Left. Both orientations would reject any identification with an Italian Communist Party-led 'Eurocommunism'. Th would, of course, also reject any alignment with the views of the Sovi Union.

In reality, neither the Soviet nor the Italian assessments of W European Communism are valid. The same reasons that provo resistance to the adoption of a guidance document for the pan-European conference will affect any attempt to offer a generalized delineation of Western European Communism. One has to examine one issue at a time, and party by party, bearing in mind that a given stance can, and does, change. One will find that some parties, notably the Italian and Spanish, are presently taking up positions and issuing pronouncements which challenge the views of the Communist Party of the Soviet Union. But both parties have been doing so for many years (although, admittedly, not with advocacy of support for Nato and monarchical systems), and it is certainly not a characteristic limited to West European Communism. Other parties have remained loyal to Moscow, which, similarly, is not a unique feature. The only relatively safe generalization that one can make is that the threat of 'Eurocommunism', even though its existence is yet to be proven, will haunt the Soviet Union for a number of years to come. One can also expect that Western European Communism will continue to reflect kaleidoscopic characteristics, with configurations varying depending on any given issue, and that this, in turn, will give longevity to debates over the reality of 'Eurocommunism'.

CORRIGENDA

The World Today, July 1976, in the article on 'Iran and the Europe of the Nine: a relationship of growing interdependence', p. 256, line 13 after the heading, for '$37' read '$69'. In the September 1976 issue, in the article on 'Eastern Europe's economies in 1976–80', p. 328, line 14, for 'April 1976' read 'March 1976'.

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Notes of the month

THAILAND: A COUP WITH A DIFFERENCE

On 6 October, just a week before the third anniversary of the collapse of he dictatorship of Field-Marshal Thanom and General Praphat,[1] the iewly-appointed Minister of Defence, Admiral Sangad, led an Armed Forces coup d'état against the democratic Government of Seni Pramoj. The Thai Armed Forces have asserted their hegemony on several occasions since the first democratic Constitution was granted in 1932,[2] and on each occasion a socialist or Communist threat has been given as the eason. As the same rationale was invoked last month, one may be empted to imagine that an established, cyclical process is working itself out in a familiar form, personal rivalries within or between the Services perhaps being the basic dynamic rather than fear of Communism.

But the international and domestic contexts today are very different from the context of any previous military intervention. Indochina is now under Communist control, and the Government of Seni was only able to obtain Hanoi's agreement to diplomatic relations (6 August) because Thailand had recently fulfilled Hanoi's basic condition: the termination of America's military involvement in Thailand. In June, the Seni Government yielded to Communist pressure in the south and expelled he Malaysian Police Field Force. Apart from such disturbing limitations on Thai autonomy, the developments in Indochina have affected key groups in Thai society in two ways. On the one hand, Communist activity has risen (as witness the ceremonial mass cremation of 422 victims of nsurgency on 31 May 1975, and of 460 on 6 May this year); and socialist ctivity among students and urban workers is encouraged by the notion hat 'capitalism' is doomed in South-East Asia. On the other hand, the deliberate extermination of the Cambodian middle class must be read in Thailand as an ominous reminder that 'People's War' does not necessarily ease when the revolutionary army captures the city. Conservatives who

[1] For background, see J. L. S. Girling, 'Thailand: conflict or consensus?' *The World Today*, February 1976.

[2] Cf. Phahon-Phibun, 1933; Phibun, 1947/8; Sarit, 1957/8; Thanom-Praphat, 1971.

reject flight into exile must see value in attempting to crush the revolutionary assault before it gathers momentum.

To this must be added that rapid social change has been the order of the day in Thailand for nearly a decade and that, in the eyes of many conservative Thais, the enemy is already within the gates. True, there was an element of pure revenge in the assault on Thammasat University on the same day as the coup, by the police, who had been temporarily driven off the streets of Bangkok by the student uprising three years earlier; but a more significant fact was that in the intervening period the student movement had proclaimed socialist objectives and had set about 'educating the people' for democracy in that sense, with active support for industrial unions and radical peasant organizations. The aim was partly to build up popular political awareness to a level at which, for the first time, military intervention would be deterred. But a transformation of the basic social structure was in prospect, as rapid and revolutionary as any non-Communist society has ever been asked to digest. Predictably enough, the students' efforts have helped to provoke, not prevent, the return of military power. And there is little reason to disbelieve the claims of the new rulers that their coup has popular support. The self-conscious cult of the student radical, borrowed from the West, has brought students into collision with many hallowed values of the Thais. As the new Prime Minister, Justice Thanin Kraivichien, has written: 'Anti-American demonstrations have been staged, panel discussions on autopsy of Buddhism and on staging rebellion were set up openly... Class conflict has been intensified. To hate is their maxim and the inevitable consequence of hatred is to destroy.'[3]

Against the 'anti-student' perspective it may be objected that the military never relinquished their influence after the 1973 uprising, but took advantage of the elections of January 1975 and April 1976 to gain strong representation in the Kukrit Pramoj Cabinet (March 1975–April 1976) and the Seni Pramoj Cabinet (April–October 1976): Kukrit's Social Action Party and Seni's Democrat Party both, in effect, bought military acceptance by their coalitions with the 'military successor parties'—Thai Nation, Social Justice and Social Nationalist. Moreover, there is little doubt that a military delegation led by the retired Army Commander-in-Chief, General Kris, prevailed on Kukrit to dissolve Parliament last January rather than let the Centre–Right coalition give way to one of the Centre–Left; and it was the directed votes of soldiers that helped to prevent Kukrit's own return to Parliament in the April election. General Kris, not an MP, was appointed Defence Minister by Seni thereafter (though his death intervened almost simultaneously). Admiral Sangad, another non-elected officer, also just retired, became

[3] Thanin Kraivichien, 'Thailand at the cross-roads. Some aspects of its cultural development', mimeographed paper, n.d. (1975?), p. 9.

Defence Minister on 5 October, in the middle of a crisis of the military's own engineering, and led the coup the next day in partnership with General Kriangsak. However, if Kris had lived, he would surely not have allowed the return to the country of his immediate predecessor, Praphat, in August, to test the ground or of Thanom in September 'to make merit' in the monkhood for his aging father, for it was Kris's restraint in October 1973 that had given the students their victory. Kris, the 'non-political soldier', was a highly stabilizing influence in the new democracy, and his pro-constitutional attitudes were effectively complemented by the opposition of other, more 'political' officers to the restoration of the Thanom–Praphat clique, on grounds of clique rivalries of 20 years' standing.

But the balance was precarious. With Kris gone and the Right generally strengthened in the April election, the cliques began to dream of better times to come. The presence of the monk Thanom stimulated predictable emotions on the Right and the Left. The Democrat Party was divided, its left wing favouring a coalition with Social Action in place of Thai Nation. Seni attempted to appease them by removing two Deputy Interior Ministers (representing the Democrat right wing) and bringing in three 'left-wingers', in the same cabinet reconstitution that sent Sangad to Defence. Meanwhile, the National Student Centre of Thailand had mobilized its members for a permanent state of protest. The 'patriotic' technical students were mobilized in turn by their patrons in the bureaucracy, and were on hand to march to Government House on 6 October to protest against the appointment of 'left-wing Ministers'. They also avenged an alleged insult to the Royal family by attacking Thammasat campus in an operation that made 20 August 1975 look like a 'dry run'. This time police assistance was not restricted to walkie-talkie radios. The para-military Border Patrol Police joined the fray with heavy weapons. Deaths were estimated at more than 40, over 3,000 students were arrested and, following the coup—to 'restore order'—the same evening, the Rector of Thammasat fled to Britain (less well-known dons will certainly not get out so easily).

Although several parts of this scenario were clearly stage-managed from the Right, as if a coup was the strategic aim from the start, there are some indications that the 'restoration of order' was not a mere cynical pretext for the career soldiers who actually seized power. The attack on Thammasat has marks of the urban counter-insurgency sponsored by certain less senior military figures. The coup leaders may genuinely have felt that the situation on the streets was getting out of control, at least to the extent that the rightist mobs could be used by opportunistic rivals to pre-empt their own authority in the forces.

But it remains that this does not seem primarily a 'traditional' Thai coup. Divisions in the military have merely added to the sense of national danger which all soldiers share. It may be that the King, too, had come

to see military rule as the lesser of two evils. This last-chance reactionary stroke is comparable to the military consolidation of Lon Nol in Cambodia from 1967 to 1970. But, as in Cambodia, left-wing opponents of the regime who fear for their liberty or their lives know of an organization, and nearby countries, which will receive them. The Restoration may create more problems than it solves.

ROGER KERSHAW

SWEDEN: SHIFT TO THE RIGHT

THE Swedish elections of 19 September, which heralded the end of forty-four years of Social Democratic government there, was seen in many quarters as being part of the general shift to the right in Northern Europe. However, a closer examination of the results and their effects suggests that the outcome is not so dramatic.

The 1973 Swedish election had resulted in a dead heat, with 175 seats each for the socialist bloc—the Social Democrats and the Left Communists (VPK)—and the non-socialists—the Centre Party, the conservative Moderates and the Liberals.[1] The Social Democratic Government of Olof Palme continued in office with the support of the VPK and relied literally on the luck of the draw to win tied votes. The non-socialist parties had come within the sight of victory and they soon agreed on a combined attack ready for the 1976 election.

Four major issues dominated this year's election campaign. The Social Democrats were anxious to be judged by the good performance of the Swedish economy. Compared with the rest of Western Europe, inflation and unemployment were low and there had been a continued increase in living standards. Another issue raised by the Social Democrats was that of the continued high level of Swedish social welfare: they advised 'Don't vote away your security'. The non-socialist parties, as well as denying that they would ever take away social benefits, claimed that the high rate of direct taxation, imposed by the Social Democrats to pay for the Welfare State, could act as a disincentive to initiative. The much-publicized taxation problems of Ingmar Bergman and the children's story writer Astrid Lindgren embarrassed the Government more because of the revelations made about Swedish bureaucracy than because of the supposed iniquities of the tax system.

The third major election issue was that of 'economic democracy'. One of the leading economists of the LO (the Swedish TUC)—Rudolf Meidner—had produced a report recommending that businesses employing more than fifty people should pay 20 per cent of their profits in the

[1]See this author's 'Elections in Norway and Sweden', *The World Today*, November 1973.

form of shares into a central fund which would then be jointly controlled by locally elected employees' representatives and trade union branch funds. This plan provided the non-socialist parties with plenty of ammunition—they claimed it threatened Sweden's pluralistic society, would lead to a concentration of economic power in the hands of a trade union bureaucracy and was a concrete demonstration of socialism. The Social Democrats were taken off-balance by the Meidner Plan and claimed that the proposals should be discussed at a future election. More than anything, the Meidner Plan showed how the previously close relationship between the Social Democrats and the LO had deteriorated since the new LO leadership took over a couple of years ago.

The final election issue involved Sweden's atomic energy programme. The Social Democrats, supported by the Liberals and Moderates, planned and started an ambitious programme of atomic power stations to help solve Sweden's energy problem. The Centre Party opposed this programme on ecological and security grounds and demanded the demolition of existing plants. This issue cut across the non-socialist–socialist divide (the VPK was anti-atomic energy) and confused the attempt of the Centre, Liberal and Moderate parties to present a united front. It was understood that the Centre Party leader, Thorbjörn Fälldin, was also the non-socialist prime ministerial candidate and his folsky, solid appearance at the hustings contrasted vividly with the clever and calculating Olof Palme. The 37-year-old leader of the Liberal Party, Per Ahlmark, had the task of changing his party's declining fortunes and he made a special bid for the women and young voters (18-year-olds were voting for the first time). The Moderates were the most reluctant supporters of a non-socialist coalition as they felt they would have to compromise on too many of their policies, but their leader, Gösta Bohman, finally committed his party to an alliance with the Centre and Liberal parties.

To avoid another dead heat the number of MPs was reduced by one to 349. The three non-socialist parties came home and dry with 180 seats against the combined Social Democrat and VPK strength of 169. The Social Democrat share of the vote went down by half a per cent to 43 per cent and the party lost four of its 156 seats. The VPK also lost half a per cent of the total vote (down to 4·8 per cent) and went from 19 to 17 seats. On the non-socialist side the Liberals were the greatest winners, gaining five seats—taking them up to 39—and going from 9·4 per cent to 10·6 per cent of the vote, still well below their share in the 1960s. The Moderates had 15·6 per cent of the vote (plus 1·3 per cent on 1973) and 55 seats, a gain of four. The Centre Party lost four seats but in the 1973 election their number of MPs had increased dramatically from 71 to 90. The party lost about half a percentage point from the quarter share of the votes it had in 1973. So the overall pattern of voting showed a consolidation of the

non-socialist bloc's 1973 gains with the distribution of seats between the three parties being slightly more equal than in that year.

The new Swedish Government formed on 7 October is headed by Thorbjörn Fälldin and has a Cabinet of 20 Ministers—eight Centre Party members, six Moderates, five Liberals and the non-party Minister of Justice. There are five women members, the leading one being the world's only woman Foreign Minister, Karin Söder.

With the formation of the coalition Government, it seemed that 44 years of social democracy had ended in Sweden: an event almost as historic as the end of fascism in Portugal or Spain. However, it should be remembered that the Social Democrats have very rarely had a monopoly of power in the Swedish Parliament. Both in the 1930s and the 1950s they ruled either with the support of or in coalition with the Centre Party, and during the Second World War there was a coalition of all the non-Communist parties. After the 1973 election deadlock, Olof Palme had attempted to appease the opposition parties, especially the Liberals, and much legislation received multi-party support. In the crucial area of foreign affairs, Sweden's neutrality policy has always been formulated by consensus between the party leaders.

The fall of the Palme Government meant Social Democratic Ministers who have been in office for decades losing power. The style of government is bound to change. Fälldin is likely to adopt a lower profile than Palme—although his Government's policies may differ less. There will probably be little change in the substance of Swedish foreign policy, although there may be a more European emphasis than in recent years. The provocative attitude towards the United States is likely to be toned down—indeed, a projected visit by Fidel Castro to Sweden has been cancelled by the new Government. Fälldin has also prohibited the sale of atomic energy technology to any state not a signatory of the Non-Proliferation Treaty.

The new Government has only three years before a new election. Whether it will fall apart before then on the thorny issue of atomic energy stations remains to be seen. Its cohesion could be helped by the aggressive tone of Olof Palme's post-election speeches.

T. C. Archer

The Syrian stake in Lebanon

SAM YOUNGER

Syria's intervention and the dramatic volte-face in her relations with the Palestinian resistance was dictated by her traditional view of Lebanon as part of 'Greater Syria' as well as by concern to deny Israel the advantages of partition.

When the Syrians renewed the mandate of the United Nations forces on the Golan Heights at the end of May 1976, they did so as discreetly as possible. There were no commitments extracted from either the United States or Israel and no strong speeches about the need for immediate progress towards the satisfaction of the rights of the Palestinians. It was a fair reflection of the change in Syria's position in the Arab world in the six months since the mandate had last been renewed, in November 1975. At that time the Syrians, riding on the crest of a wave of Arab moral indignation over Egypt's alleged 'sell-out' in the Sinai Agreement of September 1975,[1] proclaimed their undying commitment to the Palestinian cause by winning acceptance—as a *quid pro quo* for the renewal of the mandate—for a full-scale debate in the UN Security Council on the Palestine question, with the participation of the Palestine Liberation Organization (PLO).

Now, however, the struggle against Zionism has lost its leading place in President Assad's scale of priorities, while the Syrian leader concentrates all his energies on resolving the unenviable situation in which he has embroiled himself in Lebanon. Since the Syrians' armed intervention there on 1 June 1976, President Assad, once acknowledged as the foremost Arab champion of the PLO, has been reviled as an enemy of the Palestinian people and accused—like King Hussein of Jordan in 1970—of aiming at the liquidation of the Palestinian resistance movement. It is not only the Palestinians whose attitude to Damascus has changed. Syria's intervention in Lebanon has isolated her throughout the Arab world, with only the Lebanese Right and Jordan overtly in support.* Her policy has brought rebuke from her main arms supplier and super-power

[1] For background, see my Note of the Month, *The World Today*, October 1975.

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* This article was written before the Riyadh summit on 17–18 October, which brought together the Presidents of Egypt, Syria and Lebanon and the Chairman of the Palestine Liberation Organization under Saudi–Kuwait auspices in yet another effort to restore Arab unity.

ally, the Soviet Union. In stark contrast, Israel and the United States, two of Syria's traditional enemies, have been among those who have looked on what the Syrians have done with a measure of approval.

Comparisons have inevitably been made between President Assad's predicament and President Nasser's disastrous involvement of Egyptian forces in the Yemen civil war in the 1960s, or with the British Government's commitment of the Army to Northern Ireland. With such discouraging precedents in mind, why did President Assad involve his country in the Lebanese civil war to the extent that there are now 20,000 Syrian troops stationed in the country?

Syrian explanation

The Syrian explanation is simple and, on the face of it, persuasive. As far as Syria is concerned, two objectives have dominated official thinking since the beginning of the civil war: to stop the fighting and prevent partition. Syria's concerns are threefold. First, as the principal Arab defenders of the Palestinian cause, it was inconceivable for the Syrians to stand by and watch the Palestinian resistance destroyed or threatened with extinction; and, in the Syrian view, the civil war was at least in part a plot aimed at diverting attention from the Israeli-Egyptian Sinai Pact and weakening the PLO. Secondly, the Syrians fear that partition would open the way for Israeli military intervention in Lebanon, culminating in an Israeli occupation of southern Lebanon and the creation of a second Israeli front against Syria. For, while Maronite Christian-dominated Lebanon was not one of the 'confrontation states' ranged against Israel, the Moslem sector of a partitioned Lebanon would be so considered by the Israelis and would therefore be seen by them as a legitimate battlefield. Furthermore, the Syrians have taken to heart the writings of some Zionist leaders (for instance, Ben Gurion) who claim that the Litani River in Lebanon forms Israel's 'natural' northern boundary. Third, the Syrians feel that the possibility of partition reflects discredit on Arab nationalism and undermines the credibility of the Palestinian demand for a 'secular democratic state' in Palestine. According to President Assad, in his major speech on Syrian policy in Lebanon on 20 July,

> Israel seeks to partition Lebanon in order to defeat the slogan of the democratic secular state—the slogan which we raise... when Lebanon is partitioned, the Israeli will say: We do not believe these Arabs. If they could not co-exist together, if the Moslem Arab could not co-exist with the Christian Arab, how then can they co-exist with the Jews?[8]

Certainly, the reaction of the Israeli press to events in Lebanon has to some extent borne out this fear, as Israeli commentators point to the war

[8] BBC Summary of World Broadcasts, ME/5266/A/3, 22 July 1976.

in Lebanon as proof of the insincerity of the Arabs—and particularly the PLO—in calling for a secular democratic state to replace the Jewish state of Israel.

As far as Syria was concerned, therefore, intervention became necessary at the point where either the Palestinian resistance was threatened or partition was imminent. Before their intervention, the Syrians' sympathy and support had been with the largely Moslem Left, which was demanding constitutional changes to end Maronite Christian domination of the country and, with the support of the Palestinians, advocated turning Lebanon into a fuller participant in the Arab struggle against Israel. It was at the point when the country seemed to be moving towards partition that Syria's involvement escalated from the level of moral and material support for the Moslem Left and the Palestinians to that of intervention in the form of the Syrian-sponsored guerrilla group Saiqa as well as Syrian-based units of the Palestine Liberation Army (PLA), and a political initiative aimed at restoring peace on the basis of constitutional changes and tighter agreements controlling the freedom of action of the Palestinian resistance. On 22 January 1976, a Syrian-sponsored ceasefire came into effect and the proposals put forward by Damascus looked like giving the 26th ceasefire a substantially better chance of success than its numerous predecessors.

The proposals put forward by the Syrians were a compromise formula. They called for a change in the Constitution to allow Moslems equal representation with Christians in Parliament (compared to a previous Christian majority of six to five) and to have the Prime Minister (traditionally a Moslem) elected by Parliament and not appointed by the President (traditionally a Maronite Christian). For the Palestinian resistance, the Syrian proposals recommended the stricter application of the 1969 Cairo Agreement which acknowledged the right of the resistance to remain independently established in Lebanon and to carry out its military operations against Israel but at the same time restricted their freedom to act independently of the Lebanese authorities.

Jumblatt blamed

It was after this—according to the Syrians—that the Moslem Left and the Palestinians went too far in their demands and finally forced the Syrians to intervene against those who had been their allies. The man the Syrians blame most of all for forcing them to intervene on the side of the right-wing forces is Kamal Jumblatt, the veteran Druze leader who stands at the head of the coalition of forces that makes up the 'progressive front' in Lebanon. In his 20 July speech, President Assad described the meeting with Jumblatt at which he claimed to have realized his true aims:

> He [Jumblatt] said: Let us discipline them [the Maronite Christians]. We must have decisive military action. They have been governing us

> for 140 years and we want to get rid of them. At this point, I realized that all the masks had fallen. Therefore, the matter is not as we used to describe it. It is not as we were told. The matter is not between the Right and Left or between progressives and reactionaries. It is not between Moslem and Christian. The matter is one of vengeance. It is a matter of revenge which goes back 140 years.[8]

In Syria's view, it was now the leftists who wanted to prolong the fighting until a final victory which might lead to effective partition and Israeli intervention. Damascus became increasingly critical of the Palestinian resistance for allying itself with Jumblatt, not just in order to defend itself but in order to change the nature of Lebanon. The Palestinian resistance was in this way deflecting itself from its main objective and interfering in a matter that should not have been its concern: the political make-up of Lebanon. Thus, on 1 June 1976, the Syrian army intervened openly in Lebanon for the first time. Since then the Syrians have been ranged with the right-wing forces against the Left and the resistance, and have stated that they will stay so long as the Lebanese authorities request it.

This explanation of Syria's volte-face and current intervention on the side of the Lebanese Right cuts little ice with the Left and the Palestinians. They see the Syrian role as part of the *mukhatat* (plot) aimed at liquidating the Palestinian resistance—or at least bringing it firmly under the control of Damascus—and so paving the way for an Arab-Israeli peace settlement which takes scant account of the legitimate rights of the Palestinians. They argue that the Lebanese civil war was stirred up by Israel and the United States, who, they claim, have provided considerable support for the Right's attempt to destroy the resistance, and that the Syrians—whatever they may profess about being the champions of the Palestinian cause—waited for their opportunity to intervene and clip the wings of the PLO, whose position since the 1973 Arab-Israeli war had been one of the main factors preventing the formation of an Arab negotiating front acceptable to Israel and the United States. They point to America's approval of Syria's action and to the silence observed in the Israeli Government about it, to Syria's rapprochement with King Hussein of Jordan, the PLO's main rival claiming to represent Palestinian interests, and conclude that all of them are conspiring to destroy the resistance and 'sell out' Palestinian rights.

Historic argument

The truth of Syria's policy in Lebanon probably lies somewhere between these two extreme interpretations: it is the outcome of Syria's perception of her own political and security interests rather than either a

[8] *ibid.*, ME/5266/A/10.

humanitarian and disinterested concern for the Palestinians and the future of Lebanon or a calculated plot. The first thing to remember about Syria's attitude to Lebanon is that, historically, she does not regard Lebanon as a foreign country, but rather as a part of 'Greater Syria'. In Syrian eyes, Lebanon was created artificially by the French colonial authorities after the dismantlement of the Ottoman Empire. In order to weaken Moslem Syria and strengthen the Maronite Christian, Western-oriented state of Lebanon, the French added to the 'État du Grand Liban', created in 1920, the ports of Tripoli, Beirut and Saida and the fertile Bekaa plain, which the Syrians saw, as they still do, as part of Syria. As a result, Damascus has always seen Lebanon as a legitimate field of influence and interest. The two countries have never exchanged ambassadors, the theory being that their ties are such as to require nothing so formal as diplomatic relations. This feeling that Lebanon is really part of Syria comes out frequently in Syrian statements. As President Assad stated in his 20 July speech, 'Throughout history, Syria and Lebanon have been one country and one people.' And, as Syria's Foreign Minister Abdul Halim Khaddam warned earlier this year: 'Lebanon can either stay united or it will have to *return to Syria*' (my italics).[4] Added to this attitude to Lebanon—which applies also to Palestine—the Syrians have always claimed for Damascus a special role as the centre of Arab nationalism: 'the throbbing heart of Arabism'. They therefore consider that they have the right to a leading voice in the affairs of the Levant. This may be part of the reason why Syria is reluctant to allow an outright victory by either side in Lebanon. For if there is no victor, the Syrians can expect to retain more easily the role of arbiter and to exercise a decisive influence over events in Lebanon.

The Israeli threat

Much more important, however, in the make-up of Syria's policy in Lebanon is the state of the Arab-Israeli conflict. The Egyptian-Israeli disengagement agreement in Sinai of September 1975 left Syria isolated. President Assad condemned the accord, which involved limited Israeli withdrawal from Egyptian territory, but contained no promise of further progress towards Israeli pullbacks in other areas or any prospect of Israeli willingness to talk about the Palestinian issue—let alone negotiate with the PLO. Syria accused Egypt of abandoning her allies and the struggle against Israel. The Sinai Agreement meant that Egypt could not effectively come to Syria's aid if war broke out again with Israel—at least probably not until it was too late. Jordan, with a small army and lacking any adequate air defence system, was unlikely to prove an effective military ally, and, anyway, Jordanian-Syrian relations had always been tinged with mutual suspicion. Thus Syria felt particularly vulnerable to

[4] Interview with the Kuwait daily newspaper *Ar Rai al-Aam*, 7 January 1976.

an Israeli military attack across the Golan Heights. But there was always another danger, which would become much more serious if Egypt could not be counted on to intervene—the danger of an Arab-Israeli war sparked off by an Israeli invasion of southern Lebanon. As mentioned above, some Zionist writings have convinced the Syrians that the Israelis have their eye on the area of southern Lebanon up to the Litani River. The operations of the Palestinian guerrillas had already provoked numerous Israeli reprisal raids; the Syrians were afraid that if they went on, Israel would use them as a pretext for occupying southern Lebanon, thus not only achieving a Zionist objective but also providing her with a second front against Syria from the west. This fear became particularly acute after the Sinai Pact, because of the risk that Israel might look for an opportunity to deal a blow at Syria—always considered by Israel as the most inveterately hostile of the Arab states—while Egypt was effectively out of the military equation. In the light of this possibility, and given the fact that Syria has never been in a position to take on the Israeli armed forces by herself, it was vital for Damascus not only to strengthen the eastern front, but also to do all it could to ensure that Israel did not have an excuse to intervene in Lebanon.

In order to bolster his flanks, President Assad first sought to establish a firmer alliance with Jordan. The Syrian-Jordanian rapprochement in the last year has been remarkable for its cordiality and the amount of progress claimed—in particular the establishment of a joint military and political command. Although previous attempts at Arab unity are an unpromising precedent, there is no doubt that a firm entente has been created and that Syria will be able to rely on Jordanian support in the event of a new war—support which could prove significant once the Jordanians have been able to instal the air defence system promised them by the US and so vehemently opposed by the American Israel lobby.

In Lebanon, the civil war made the possibility of Israeli intervention very acute. Traditional Syrian support for the Palestinians meant that no Syrian government wished to see an outright victory by the Right which might lead to the expulsion of the guerrillas from the country. Such an outcome would be embarrassing for the Syrians not least because, as the Palestinians' traditional allies, they would be expected by many Palestinians to allow the resistance the freedom of movement in Syria that it had lost in Lebanon. However, an outright left-wing victory was an even more dangerous possibility in Syrian eyes. If the Left were to take over, or if a left-wing area were to be established in the context of an effective partition, the country would be likely to become a front-line confrontation state against Israel. Maronite Lebanon had always remained somewhat aloof from the Arab-Israeli conflict and this had made it impossible for Israel to use Lebanon as a theatre of operations in an Arab-Israeli war. But were Lebanon to become a confrontation state, and were a left-wing regime to allow the Palestinian resistance the freedom to operate

as it wished against Israel, then Israeli inhibitions about including Lebanon in confrontations with the Arabs would evaporate. Israel makes no secret of the fact that she regards events in Lebanon as affecting her security just as much as they do Syria's. Significantly, when Syria first intervened in Lebanon, the Israelis warned that they would not necessarily stand by passively. The Defence Minister, Shimon Peres, said in an interview in January 1976: 'Syrian intervention would not, whatever the reason, leave Israel indifferent, and would require Israel to consider what steps to take.'[5] The fact that Israel has not taken action over Lebanon—despite continual reference to a 'red line' over which the Syrians must not step—indicates that the Israelis have been persuaded, clearly by the United States, that Syria's invasion of Lebanon was designed precisely to prevent the sort of conditions which would force Israel's hand. A number of Israeli leaders would undoubtedly welcome an opportunity to strike at the PLO and at Syria, especially with Egypt at least temporarily on the sidelines. But the restraining hand of the US has been obvious in Israel's relative acquiescence in the Syrian action. The United States would welcome Syrian control over the PLO; indeed the US would approve any development which weakens the PLO. The Americans have therefore favoured Syrian intervention, and President Ford's Special Envoy, Dean Brown, who visited the area earlier this year, praised the Syrians for 'helping Lebanon return to constitutionality'.[6]

The other major factor which enters into the equation is Syria's attitude to a solution to the conflict with Israel. The willingness of Damascus to come to a peace agreement with Israel is not established beyond doubt. But the indications since the 1973 war have been that President Assad has been moving towards recognition of Israel on the basis of an Israeli withdrawal from more or less all the Arab territory occupied in 1967 and the setting up of an independent Palestinian state on the West Bank of Jordan and in the Gaza Strip. Despite continued lip-service to the goal of a secular democratic state in all of Palestine, evidence has accumulated that Syria is prepared to follow Egypt and Jordan and the bulk of the Arab world in accepting a compromise solution. Assuming that this is the case, the argument for Syrian intervention in Lebanon is further strengthened. For the main obstacle on the Arab side to further progress in peace negotiations with Israel is the PLO. Israel refuses to talk to the PLO, and the PLO refuses to recognize Israel's right to exist. So if President Assad is determined to push peace talks ahead, one way he can do so is by bringing the PLO under Syrian control. This could lead to a change in PLO policy, making it more acceptable to Israel as a negotiating partner; alternatively, to avoid separate PLO representation unacceptable to the Israelis, Syria might be in a position to lead a joint negotiating front including the Jordanians and Palestinians. This idea has certainly been

[5] Quoted in the Israeli daily *Maariv*, 8 January 1976.
[6] See David Binder, *Middle East International*, July 1976.

in the Syrian President's mind. He already has a joint command with Jordan since August 1975; in March this year he proposed a joint command between Syria and the PLO; and a few months later it was confirmed that his ideas had gone even further, embracing the notion of a federal state under Damascus, King Hussein and the PLO, to cover Syria, Jordan and the West Bank and Gaza.[7]

Whatever the final balance among the various reasons for Syria's actions in Lebanon, there is enough truth in the argument that she intends to dominate the future of both Lebanon and the PLO to make it easy for President Assad's critics to condemn him. Syria's traditional rivals, the Iraqis, have been in the forefront of those criticizing him. Vital economic support from Saudi Arabia and the Gulf states has dwindled as a result of the Syrian army taking up arms against the Palestinians. The Egyptians, looking for an opportunity to restore their credit with the PLO, have taken advantage of Syria's discomfiture to turn the tables on President Assad, accusing him of betrayal of the Palestinians just as he had accused them less than a year before, and pushing themselves into the forefront of diplomatic activity aimed at a solution to the conflict on terms acceptable to the PLO.

Of the outside powers, most important to Syria is the Soviet Union. There is no evidence that Moscow has stopped crucial arms deliveries as a result of Syria's policy and, in general, Moscow has said very little. But criticisms of Syria have appeared in the Soviet press, even if they have been balanced by criticism of the policies of the PLO.[8] Syria therefore cannot count on Moscow to make up for her isolation in the Arab world. And the tacit approval of the US and, to a lesser extent, Israel must be an embarrassment to President Assad, for their quiet satisfaction at what Syria is doing provides ammunition for those who maintain that she is involved in a conspiracy to destroy the PLO.

In his 20 July speech, President Assad said that Syria would accept it 'if the President of Lebanon were to tell us: Get out or do not get out. We would accept it if the Prime Minister of Lebanon were to tell us: Get out or do not get out. We would accept this from the Speaker of the Chamber of Deputies and even from every citizen of Lebanon.' Lebanon's new President who took office on 23 September, Elias Sarkis, may well conclude that Syria's continuing presence is a hindrance rather than a help to his country's chances of rebuilding from the ruins of the civil war. But if he, who was backed in his election to the presidency by Damascus, were to ask the Syrians to leave, it is likely that President Assad would be reluctant to relinquish the controlling influence he has built for himself in Lebanon.

[7] *Al-Thawra* (Damascus), 30 August 1976.

[8] See, for instance, the article by 'Observer' in *Pravda* of 8 September, quoted by *Soviet News*, 14 September 1976.

'ael's options in the Middle East conflict

IJAMIN GEIST

Recent shifts in the attitudes of some Arab countries towards the Palestinian problem have given rise to a heated debate in Israel on the prospects for a settlement.

ɛ Palestine Liberation Organization (PLO) has overplayed its hand committed another error, possibly more fateful than its challenge for lomination of Jordan in 1970. This much is clearly emerging from the ›s and tragedy of Lebanon. It is quite possible that Yasser Arafat and ;olleagues will survive this defeat as well. The PLO leader has shown ʒh degree of resilience in the past, and the Arab states may need him more than ever in order to prove that they are not 'soft on Israel', as as to prevent the even more extreme elements from taking over the ership of the PLO. But with the erosion of its semi-autonomous er base in Lebanon, the PLO might become more subject to the tical control of Syria and Egypt, fulfilling a less independent role than allotted to it at Rabat in 1974 as well as in the United Nations. The of the PLO as the exclusive voice of the Palestinians may become less ıolithic. The representatives of the large majority of the Palestinians, ›rdan and on the West Bank, some of them recently elected in free and ıocratic municipal elections in the West Bank, may possibly carry e weight. The national aspirations and political ideology of many of e leaders are no less radical than those of the PLO. But they live ıin Israel and Jordan, enjoy the tranquillity and economic prosperity ıe present status quo, and must realize that in another outbreak of ilities they and their kin would be counted among the direct losers. ık Ali Jabri, the former mayor of Hebron, has come out publicly with mand to alter the Rabat resolution and to transfer responsibility for West Bank to the Arab League, mainly to Jordan.[1] And the leaders ıe Christian Arab communities in Israel have become highly critical ıe PLO, praising Israel's moderation and aid to villagers of southern anon, who are receiving food and medical aid through an open security e, similar to the open bridges policy for the West Bank since 1967.[2] evelopments in Lebanon have also exposed the hollowness of the

Iaaretz, 4 August 1976.
Group interview with H. Guri and A. Amir, two Israeli poets, and F. Nasser, later, and 'Ibrahim', prominent lay leaders of the Christian Arab communi- n Israel, *Maariv*, 30 July 1976.

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slogan of a 'secular, democratic Palestine'. They have again focused attention on the basic inability of Arab society to tolerate, as yet, a national religious minority in its midst, upon a basis of equality and mutual respect.[3] This is still the crux of the Arab–Israel conflict, not the rights of the Palestinians, Israel's final borders, or the question of Jerusalem. Without in any way belittling these very complex and difficult problems, they are subject to negotiation and far-reaching compromises, many of them explicitly indicated in the public statements of the Prime Minister, Mr Rabin.[4] But a state of mind cannot be negotiated, it has to change, and such change does not occur overnight.

Whether there is the beginning of such a movement, or whether it will ever see the light of day, is heatedly discussed within Israel. The former Minister of Defence, Moshe Dayan, believes that changes have indeed occurred in Egypt under President Sadat's leadership; at least that his actions—the conclusion of the second Sinai interim agreement, the reopening of the Canal, and the reconstruction of the Canal cities—indicate a change.[5] The Prime Minister, Mr Rabin, is more sceptical; time is needed to defuse the tension, the accumulated hostilities of a generation, in order to enter into meaningful negotiations.[6] Indeed, the degree of scepticism towards Arab intentions is one of the indicators of the position taken by the advocates of various policies. As Ephraim Kishon, Israel's well-known humourist, put it recently, in an exchange with a journalist:

> . . . There is, essentially no argument between the two camps. Both those whom Mr Kohansky represents and we, the so-called extremists, are willing to return most of the territories to the Arabs in exchange for a *real* peace. The difference between us lies in the matter of SCEPTICISM. The progressive is prepared to pull back to the 1967 borders and later, when Mr Arafat has dug in a couple of hundred metres from his home, to hope and pray that peace will come about, as promised on some piece of paper. We hardliners, on the other hand, are unwilling to risk this experiment because we don't believe a single word of the promises of Mr Arafat or his godfathers.[7]

Israel's dove-hawk spectrum

An excellent summary of the dove–hawk argument within Israel was provided recently by Professor Y. Harkabi.[8] He characterized Israeli

[3] The Israeli view of the lesson pointed by the war in Lebanon was reiterated by Israel's Foreign Minister, Y. Allon, in a speech before the UN General Assembly on 7 October 1976.

[4] E.g., in his address before the special joint session of Congress in Washington on 28 January 1976, and in an interview in *Haaretz*, 30 April 1976.

[5] Lecture delivered before students of Technion, Haifa, published in *Maariv*, 4 May 1976.

[6] Interview in *Haaretz*, 30 April 1976. [7] *Jerusalem Post*, 1 June 1976.

[8] Y. Harkabi, 'Three major possibilities for policy and their resolution', *Haaretz*, 4 May 1976.

foreign policy options in the form of three equations—dove–dove, hawk–hawk and hawk–dove. The first part of each equation represents Israeli images of Arab attitudes, the second Israeli policy options. The dove–dove option presupposes that in the Arab world there are serious forces at work that want peace with Israel and have given up, for all practical purposes, the idea of destroying Israel. Therefore, Israel should also undertake a conciliatory foreign policy and be prepared to withdraw to previous lines, recognize the Palestinians and enter into negotiations with them. A Palestinian state, next to an Israeli state, would solve the Palestinian problem. Dovishness on one side would breed dovishness on the other, which would then develop into a peace settlement. In other words, the problem of peace is up to Israel. The trouble with this line of reasoning, according to Harkabi, is that it ignores Arab reality, which is hawkish. The dove–dove proponents want to see the Arabs as moderate and in their images they have become so—a common failing.

The hawk–hawk equation presupposes that Arab attitudes are hawkish. Retreat will only lead to a renewal of Israel's nightmarish strategic position up to 1967 (the country 14 kms wide at its narrowest point, Tel Aviv and Jerusalem within range of hostile artillery, all points in Israel within reach of enemy air attack within minutes) and encourage future Arab attacks. Therefore Israel should delay withdrawals, especially on the Golan Heights and the West Bank. What this equation and its proponents ignore, writes Harkabi, is international reality, the almost universal demand for Israel's withdrawal to somewhere along the lines of 1967. He adds that the followers of this school of thought are just as image-blind as those of the previous one, for in their opinion this policy is a feasible one, even in terms of the international situation.

The third equation is a synthesis. It accepts the view that the Arab positions and advocacy are hawkish. Nevertheless, it proposes that Israel declare her readiness to withdraw and be willing to undertake other tactical steps that may lead to peace. This implies a readiness to enter into negotiations with the PLO as well, subject to the Arabs' willingness to reach a settlement with some reasonable assurances for Israel's security. The proponents of this option do not believe that Israeli moderation would automatically lead to Arab moderation. Rather, they stress the process itself: if it leads to peace, all the better; if not, at least Israel's position will be less isolated, her stance in the protracted conflict improved.

Harkabi's recommendation is that Israel take up the third option. Only a dovish stand would enable Israel to insist upon gradual withdrawal, demilitarization, mutual supervision and all the rest. This is the only policy that would lead to an improved position in the world and thus enable Israel to stand steadfast during the difficult times to come in the conflict, while exposing at the same time the basic hawkishness of the Arab aims.

The need for time

When it comes to suggesting ways of solving the conflict, whether strategy or tactics, substance or process, Harkabi joins a long line of distinguished statesmen and scholars. Who has not tried his hand at a grand Middle East formula, from the 'wise men of Africa' (1971)[9] to other heads of state, scholars and research institutes. The pages of recent issues of *Foreign Affairs* and *Foreign Policy* bear witness to these noble efforts. Some of these ideas and suggestions will, hopefully, contribute to the easing of the negotiations when they enter a meaningful phase at Geneva, or in an 'informal' pre-Geneva phase. But they can only flourish in an atmosphere of reality which, for Israel, means first and foremost, the acceptance of her existence and right to live in peace as an independent state in the Middle East, even though it is non-Arab, non-Muslim and a democratic multi-party state with basically Western values. Time is needed to achieve this, to lessen antagonisms, to enable the necessarily slow process of negotiation to reach acceptable compromises on the road to peace; and to bring forth from the present cross-currents a Palestinian leadership more realistic in its aims than the present one. This need for time is repeatedly emphasized in the public pronouncements of Israel's leadership. The Defence Minister, Shimon Peres, put it in terms of ten years; Yitzhak Rabin talks of several years.[10]

In the prevailing atmosphere of mutual distrust, the Israeli insistence upon time is seen by the Arab states and the Palestinians as a device to perpetuate Israel's presence in the occupied territories. Indeed, one of the recurring themes in the Arab press is the anguish that the war in Lebanon and other strains within the Arab world dissipate time and energy from the single-minded, relentless pursuit of their aims in the conflict—pushing Israel back at least to the 1967 borders and assuring the rights of the Palestinians. However persuasive this Arab line of argument may seem to be, the Middle East conflict is far more complex than to permit Israel a policy of immobilism.

The war in Lebanon is a passing phase within the Israel–Arab conflict. The temporary alliance between Syria and the Maronites is widely regarded in Israel as a short interlude in the history of the Near East. It is believed that the traditional alliance between Syria and the PLO, strongly supported by the Soviet Union, will reassert itself. In terms of the conflict, this could mean a resumption of terrorist activities from across the Lebanese border, something that Israel has stated she will not tolerate.

Secondly, there is, as Harkabi correctly states, almost universal pres-

[9] On the role of the Organization of African Unity, see S. A. Gitelson, 'The OAU Mission and the Middle East Conflict', *International Organization*, Summer 1973, pp. 415–16.

[10] Peres article in *Maariv*, 4 May 1976; Rabin interview in *Haaretz*, 30 April 1976.

sure on Israel for movement towards a settlement, which would also provide an acceptable solution for the Palestinians. In geographical terms, this includes the West Bank and the Gaza Strip. In political terms, the expectation is either autonomy, within the framework of a Palestinian-Jordanian state or federation, or independence as a Palestinian state. There is little doubt that, barring an unforeseen radicalization of the conflict, this pressure will be strong in 1977.

Thirdly, there is within Israel an influential group—Abba Eban, the former Foreign Minister, is an eloquent exponent of its views[11]—which points out, with relentless logic, the contradiction between the incorporation of a large Arab population into Israel and the idea of a Jewish state. No less persuasive of the ultimate need for withdrawal is the malaise caused by the continued occupation to Israel's social fabric.

Fourthly, the continued massive build-up of armaments is again rapidly turning the Middle East into a powder keg, whose fuse could be lit by inter-Arab tensions, by the Palestinians, by the Soviet Union, or by an interaction among these forces and interests.

All these factors make the quest for a solution in the Arab–Israel conflict by negotiation a matter of urgency. The Palestinian issue has become a more central part of the process and has lost none of its urgency because of events in Lebanon.

A reconstituted Palestinian leadership

As long as the PLO remains the sole representative of the Palestinians or, more to the point, retains its present composition and ideology, the outlook is bleak. Israel's hardliners have an easy task in proving, on the basis of the statements of Yasser Arafat, Farouk Kaddoumi, Salah Khalaf (Abu Iyyad), Zuheir Mohsen and other PLO leaders, how futile and dangerous it would be for Israel to enter into negotiations with the present leadership.[12] Briefly restated, the 'moderate' position espoused by the PLO is that it would be willing to take over any territory evacuated by Israel, preferably through the good offices of the United Nations, without entering into negotiations, indeed any contact, with Israel and retaining as its goal the purging of Palestine of the Zionist presence, as stated in the still valid Palestinian National Covenant of 1968.

However, the fighting in Lebanon may lead to the discrediting of the PLO's leadership and political aims within the Palestinian camp. It may also bring forth a redivision of influence among Palestinian groups which are ready to accept Israel's existence and legitimacy and to make peace

[11] See A. Eban, 'A new look at partition', *Jerusalem Post*, 25 June 1976.

[12] See, for example, Yasser Arafat's speech in Beirut, 30 March 1976, as reported by Reuters; interview with Farouk Kaddoumi, the head of the PLO's Political Department, in *Newsweek*, 17 November 1975; interview with Salah Khalaf, a leader of the PLO in *Al Muharrir*, Beirut, 1 March 1976; interview with Zuhair Mohsen, the 'defence minister' of the PLO, in *Die Zeit*, 12 December 1975.

with her. In such a situation, conditions will have been created overnight for meaningful negotiations.

Israel's coalition Government includes the Labour Party in alignment with the Left-Socialist *Mapam*, whose policy is a return to the 1967 borders with the minimal border adjustments that are absolutely necessary for security reasons; and the National Religious party, *Mafdal*, influential segments of which call for a retention of the entire West Bank. The Labour Party itself is a conglomerate of doves and hawks, accommodating the sharply divergent views of Abba Eban (close to the *Mapam* view), the present Foreign Minister, Yigal Allon (who advocates a compromise solution[12]), and Moshe Dayan and Shimon Peres (the Jordan River as the security border of Israel, no third state between the sea and the River, minimal concessions on the West Bank, possibly some form of confederation with a Palestinian entity). This balancing act is maintained on the basis of two resolutions: one, the '14-point programme', worked out after the October 1973 war, an election platform which stipulated a territorial compromise in return for peace, without spelling out its details; and, two, a coalition agreement in June 1974, which stated that the peace treaty with Jordan which might include territorial concessions on the West Bank would have to be submitted to Israel's electorate for approval, before signature.

As long as there is intransigence in the Palestinian camp, Israel's Government is able to maintain its position, internally, on the basis of the 14 points, without having to take difficult decisions insofar as the continued existence of the coalition is concerned. Externally, it is able to maintain its advocacy of an Israel–Jordan solution of the Palestinian problem. Recent events in Lebanon and their reverberations in the Arab world have strengthened this position. But a change in the Palestinian position might well be the catalyst that would activate internal and external pressures on Israel to spell out more precisely her policies on borders, guarantees, security arrangements and the time necessary to achieve an overall settlement of the conflict by stages and through mutual concessions.

[12] The 'Allon Plan', first proposed in 1967, calls for a permanent Israeli presence along the Jordan Valley and on the mountain range dominating the West Bank, and withdrawal from the rest of the West Bank. In an interview in *Haaretz*, 20 February 1976, Allon hinted that his plan would not necessarily be the maximum concession Israel would be prepared to make for a final peace settlement.

Japan's electoral prospects

IAN NISH

POLITICALLY, it has been a long, hot summer for Japan, although the weather has been cold and a poor rice crop is expected as a consequence. Starting with the repercussions of the Lockheed commission payments, continuing with the resulting agonies for the ruling Liberal-Democratic Party Government and punctuated by events such as the Soviet Foxbat pilot's defection, the excitement has been great. It has penetrated well beyond the realm of the journalist to the ordinary man in the streets. It has been said that every Japanese has become a psephologist, trying to predict what is in fact unknown, the likely effects of the events of this summer on the voting behaviour of the Japanese.

These events have been given a special relevance because of the elections which are shortly due. In the first place, an election for the House of Representatives is to be held around the end of the year, the last having taken place in December 1972. In the second place, an election for the House of Councillors is due to be held in the summer of 1977. The Prime Minister, Mr Miki, and behind him the elder statesmen of the Liberal-Democratic Party (LDP), are anxious that the party should face this double test in as strong a position as possible, allowing for the damage which the Lockheed scandals have done. The position in the Lower House is that laid down by the 1972 election in which the Liberal-Democratic Party was returned with a majority reduced from 288 in 1969 to 271. On the opposition side, the Socialist Party secured the election of 118 candidates as against 90 in 1969 and seemed to gain ground from parties of the centre like Komeito and the Democratic-Socialist Party. The other spectacular gain was made by the Japan Communist Party with 38 members as against 14 in 1969. In the mid-term election for half of the seats in the House of Councillors in 1974, the party faced an uphill struggle as a result of the oil crisis[1] and secured a majority of only nine seats. In Japan, one must speak of the Liberal-Democratic Party (in power since 1947) as being in slow decline, while the Opposition is fragmented.

The trouble is that Mr Miki and his party elders have totally different conceptions of the conditions which will lead the LDP to success. This

[1] For an economic appraisal, see R. P. Sinha, 'Japan and the oil crisis', *The World Today*, August 1974.

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is linked to Mr Miki's long-standing reputation for opposition to corrupt politics. When in September 1972 Mr Tanaka, the millionaire construction magnate, succeeded Mr Sato as Prime Minister and later fought a general election as party leader, Miki was vocal in his criticism of party finances and electoral corruption. His complaints seemed to be sustained when in the autumn of 1974, after allegations in the influential monthly periodical *Bungei Shunju*, Tanaka was investigated by the prosecutor's office for tax offences connected with companies associated with his group. Though the verdict was evasive, Tanaka resigned from the premiership. But he retained the leadership of his own faction. The other major faction leaders, Ohira and Fukuda, were so evenly balanced that the prime ministership passed to Miki, even though he was the leader of one of the smaller factions. But he could rule only by compromise with the major faction leaders; and his Government has not been notable for political achievements.

Lockheed: domestic repercussions

The Lockheed scandal which leaked out slowly from February 1976 onwards was for Miki both an agony and a blessing. It was an agony in the sense that the Lockheed commission payments had penetrated widely in the upper echelons of the LDP Government in 1972 with which the Miki faction had been associated, even if a protesting associate. Moreover, some of those suspected of accepting money became members of Miki's own ministry. The decision on how far the prosecution would be pursued and the scandal would be disclosed rested with him as Prime Minister. In view of his weakness within the party and the prospect of elections, the decision was clearly an agonising one. His choice was for substantial disclosure. But the party elders claimed that Miki was irresponsibly destroying the chances of his party at the forthcoming elections. It seemed likely that they would muster enough power to oust the Premier until a compromise agreement in September gave Miki a 'suspension of sentence' for the time being.

But this agonising cloud contained for Miki a silver lining. All the allegations tended to corroborate what he had for long been saying about the corruption of LDP politics, and the extent of the disclosures convinced Japanese that he was ready to clean the Augean stables. Moreover, Miki began to find himself in an odd situation. Because of opposition within his own party, he had not been able to fulfil his programme. But because of his strong-minded attitude over the need to disclose the facts of the Lockheed affair, he seems to have won the support of the press and the people. In a sense, he was able to mobilize public opinion in his fight with the party bosses. It was in this way that he managed to secure the compromise settlement which ensured for him a prolongation of his period in office. This was an unexampled situation in Japanese politics.

How will the Liberal-Democratic Party fare in the approaching round

of elections? There are so many uncertainties over who will lead the LDP into the election that prediction is difficult. It cannot, however, escape much damage from the Tanaka scandals, even if Tanaka has already resigned from the party. Of course, there is among Japanese a level of tolerance towards political corruption. So long as their country was pursuing an increased national income and an improved standard of living for the people, as it was in the 1950s and 1960s, they were prepared to take a lenient view of the miscreants of politics. Then again, when it comes to election time, regional loyalties play a larger part; a candidate is voted for if he is likely to put his constituency on the national political map. Yet again, the constituencies are so arranged as to give the rural voter whose inclinations are more conservative a preferential position. It may be that the local voter is less appalled by the disclosures of corruption in high places than the educated urban electorate. Such then are some of the imponderables which have to be taken into consideration in assessing the likely effect on domestic politics.

The paradox in Japan has been that the Opposition has tended to be fragmented as the share of the votes of the ruling party has been eroded in successive elections. The main opposition party, the Socialists, has been weakened by its dependence on the Sohyo trade union organization, which is dominated by Marxist leadership. The Komeito which seemed to offer a middle-of-the-road alternative after its dramatic creation in the 1960s has been shattered by a breach with what used to be called 'its religious wing', the Soka Gakkai, and has suffered losses in recent elections. By contrast, the Communists have tripled the number of their seats in the 1970s, though this momentum probably cannot be sustained. There is not much sign, therefore, of these parties, taken individually, bringing down the Liberal Democrats.

There is obvious scope for opposition alliances. One such possibility scouted for the forthcoming election is an alignment of non-Communist opposition parties. Another is of co-operation between the Komeito and the Communist party. The agreement announced in 1975 between the Communists and the Soka Gakkai did not include provision for an understanding with the Komeito, which expressed its unhappiness over it. On the whole, the Communists and the Komeito seem to be in competition for the same kind of urban voter and to be unlikely to hold together. While some electoral pact is possible, distrust among the opposition parties is as deep-rooted as ever and is likely to prevent a long-term amalgamation. A more likely development would be for the procedures started by Mr Miki to be enlarged. Miki, whose support from his own party has been weak, has tended to permit opposition parties to play an increasingly important role in Diet committees. Any foreign watcher of Diet proceedings on Japanese television would be amazed by the Prime Minister's accommodating spirit towards his political rivals. It may be that as a result of this the Opposition, who have been in the political

wilderness for three decades, will feel themselves to have a more positive and responsible role.

While the LDP is likely to lose ground before a divided Opposition at the year-end elections, it may suffer equally from the popular mood. The Lockheed scandals which have affected both conservatives and socialists have bred a mood of disillusion with politics in general. While disillusioned urban voters may rally to a campaign to stamp out corruption, they may keep away from the polls in contempt.

Foreign policy through economic spectacles

By inspecting Japan's political tea-leaves, we have divined that there is more likelihood of a change of leadership than a change of the ruling party this winter. We may go further and divine that, on this assumption, there is not likely to be any marked change in Japan's foreign policy. Both Mr Fukuda and Mr Ohira who have been tipped as future Prime Ministers, have served as Foreign Ministers in the past and did not in that office show much inclination to depart from traditional lines of policy. Indeed, the uncertain factors in the East Asian situation would seem to be more connected with countries other than Japan. Who can predict developments in China after the double blow of the deaths of Chou En-lai and Mao Tse-tung? Who can foretell that there will not be some alteration in emphasis in the standpoint of the United States when a new Administration takes office in 1977? And what of the fragile situation in Japan's nearest neighbour, Korea, if it were allowed to get out of hand? These are only a few of the variables in the East Asian scene by which Japan may be affected.

The stability of Japan's foreign policy springs, as the present writer has long argued, from the paramountcy of economic factors in its formulation. There was an important symbolism in the celebration throughout Japan in February 1976 of the bicentenary of the publication of Adam Smith's *Wealth of Nations*, perhaps more widely celebrated there than in any other country in the world. In the postwar world, it was the Japanese who benefited most from international commerce being based on the free trade system. But it stands to reason that it should be the Japanese who have stood to suffer most in the retreat from free trade in the 1970s, as the world has edged from a state of economic interdependence to one of economic nationalism. The economy of a major industrial nation like Japan does not adapt easily to a new era of tariffs, restrictions and restraints. It is therefore with economic spectacles that the Japanese view the political options open to their country.

It seems to be the centrepiece of Japan's thinking to continue her special relationship with the United States despite some disillusionment.[2]

[2] On the effects of the 'Nixon shocks', for instance, see R. M. V. Collick, 'The "new" Japanese foreign policy', *The World Today*, February 1973.

During the period of the Vietnam war there were many reservations about such a policy. These were in the main felt by the Socialists but have now been reduced. A delegation from the Japanese Socialist party on a visit to the United States in the autumn of 1975 held out an olive branch and tried to re-establish relations. The American–Japanese Security Treaty is still important for Japan because she seeks to retain a low level of defence expenditure and opposes an overseas military role for herself. But it is less vital than before because the Japanese choose to underestimate the military threat to themselves. It is doubtful whether Japan has really behaved co-operatively towards Washington's requests for common security policies in the past; and she is no more likely to make clear in future what commitments she will accept, however desirable that might be. Moreover there is a distinct feeling among the Japanese that the US Government will be less inclined in future to get involved militarily in Asia, even in Korea.

But, even if the Security Treaty of 1960 continues, there is likely to be a greater measure of independent action between the partners. In the knowledge that the treaty was becoming watered down by the passage of time, the Japanese have in the 1970s chosen to depart from the American line more frequently, as in the case of the friction between the Arab states and Israel. It must be expected that this trend will increase in the future in the name of a more independent foreign policy for Japan. Tokyo's political leaders are bound to offer their electorate a more positive direction. There is broad agreement that Japan has for too long taken a back seat and followed a reactive policy. There may be an element of exaggeration here because there is not much sign of her commercial policies being 'reactive'. But it is thought to be inconsistent with her claims as a prosperous world power not to pursue a 'self-defined diplomacy' (*jishuteki gaiko*). In other words, come what may in the matter of governments, there are likely to be occasional storms between the two allies, Japan and the United States; but these will not be carried to the extent of the alliance splitting up since its existence is recognized to confer enough benefits on both sides for them to wish for its continuance. For Japan, the alliance permits considerable economies in the scale of her armed forces relative to the potential threats which she faces, and underpins the trans-Pacific trade which for some time to come is likely to be the staple of her international commerce. On the other hand, in the light of possible isolationist tendencies in Washington, the degree of Japan's dependence on America may have to change and she may have to accept a new security burden. American actions over the Korean peninsula will be something of a test-case in this field.

In predicting an alliance with a changed emphasis, one should enter the caveat that there is no universal endorsement in Japan for her Security Treaty with the United States. One cannot walk around the

campus of a Japanese university without having leaflets thrust into one's hands by radical students condemning the 'fascist imperialism' of Japanese Governments. Of this the Security Treaty is still the unpopular symbol as it has been since the late 1950s. It was in this spirit that last autumn the radical elements in Japan tried to prevent the Emperor's goodwill visit to the United States, which was expected to draw the two countries closer together after they had been driven apart earlier in the decade. But the radical students represent a minority voice. The majority of Japanese seek a cordial, continuing relationship with the United States.

Natural neutralism

The other pillar of Japan's foreign policy is a desire for minimum involvement in world affairs. This statement requires reservations. Japan is quick to involve herself when her economic interests are at stake, as for example when it was necessary for Japan to appease the Arab countries after the oil embargo was imposed in 1973. Then again, she takes part in projects when national prestige is concerned. Thus Mr Miki was not slow to accept the offer to attend the Rambouillet summit in 1975. But, by and large, Japan is content not to strike poses in international affairs when she has little at stake. She does not show any wish to dabble in what used to be known as *Die Grosse Politik*.

Non-involvement suits the Japanese style. It is not possible for Japan to become a partner in any meaningful grouping in East Asia. There are no defence blocs in the area to attract her. In Korea, for example, she keeps relations with South Korea without cold-shouldering the North. She avoids taking sides in situations of tension. Nowhere is this more clearly seen than in the Sino–Soviet dispute where she is cultivated by both sides but contrives to maintain a benevolent neutrality towards both adversaries. There is a natural neutralism in many Japanese formulations on foreign policy. This has given rise to suggestions that Japan wants to dissociate herself from the power game and launch a diplomacy for true relaxation of tensions between the United States and the Soviet Union. Thus, Japan is seen as having the role of an unobtrusive peace-maker which might be exercised between the super-powers.

It is perhaps necessary to look at Japan more specifically in relation to changes which have taken place in the 1970s, especially her new-found links with China. This goes back to the visit which the ill-fated Mr Tanaka paid to China in September 1972. In the Chou–Tanaka communiqué which resulted, it was stated that the abnormal state of relations was ended; and Japan agreed that she would respect the view of Peking that Taiwan was an inalienable part of its territory. This was followed by increased trade and by four working arrangements relating to trade, fisheries, airlines and shipping. The negotiations of these commercial agreements have not been without their difficulty, especially the air

agreement which led to short-term retaliation by the Taiwan Government. Only the Treaty of Peace and Friendship still awaits completion. The prime reason for the deadlock in these talks has been China's firm insistence that the peace treaty should contain a stipulation opposing hegemony by the super-powers in the west Pacific zone. The Japanese official position is that this stipulation was embodied in the Chou–Tanaka communiqué and has been unanimously endorsed by the powers, but that it might be offensive and superfluous to include that sentiment in the treaty.

Although Japan would dearly love to treat the China trade as a purely economic affair, she realizes that it has political under-currents. It was so in the pre-war period when Japan faced systematic boycotts of her trade; it has been so in the postwar period too when the trade has been a variant of state trading.[3] The Japanese are currently cautious about the tendency of China's future thinking. For example, Mr Miki expressed the hope that the treaty of peace could be clinched before Chou En-lai's death. Japan's most recent shock was in the Sino–Japanese steel talks which ended in April 1976. The talks opened in February in an optimistic mood with the prospect of increased Chinese purchases; but, when agreement was reached, it set the purchases for six months at 600,000 tons, the lowest figure since 1973. After four years of negotiation, the tremendous enthusiasm for the China Boom of 1972 is a thing of the past. Relations are, and are likely to remain, pragmatic and coolly calculating.

Clearly, one constraint in the rapprochement with China has been the attitude of the Soviet Union.[4] Mr Gromyko by his visit to Japan in January 1976 seemed to be advising the Japanese not to accept China's demands at the peace talks subserviently. In this he may have struck a responsive chord among those who are calling for an autonomous foreign policy. It would appear that the Miki Government, while leaning towards China, is not prepared to offend Moscow and is therefore temporizing.

Private diplomacy with the Russians took a new turn as a result of a one-week goodwill tour of the Soviet Union by a delegation of six representatives from Keidanren in August 1976. Russia is evidently eager to rebuild the economic co-operation between the two nations which, after a marked growth in the 1960s and early 1970s, has lately been tailing off, especially after normalization of Sino-Japanese relations. Until the start of the mission's tour, Japan–Soviet economic co-operation, though officially promised a long time ago, had been in a state of stalemate, although the trade talks for huge Soviet capital-goods purchases from Japan had been going well. Deadlock had prevented their co-operation (through

[3] See Alexander K. Young, 'Japan's trade with China: impact of the Nixon visit', *The World Today*, August 1972.

[4] For background, see James Simon, 'Japan's *Ostpolitik* and the Soviet Union', *The World Today*, April 1974.

supplies of capital goods on credit-sales basis) in the large-scale Sovi
Siberian economic development programme, especially the key projec
Japanese were most interested in—redevelopment of the Tyumen oi
field and the development of the Southern Yakut natural gas reserves.

It still looks highly problematical whether Japan's political thinki
will turn in favour of such co-operation and it is difficult to expect her
permit a huge amount of government credit to help promote this end,
the Russians have been calling for, especially when American c
operation in the venture is not going to be available. The majority vie
among businessmen seems to be that there is nothing wrong with t
idea of rebuilding Japanese–Soviet co-operation over the long term, co
sidering Japan's need to diversify overseas sources of energy and ra
materials vital for her economic development. But some, known to
pro-American in outlook, point out what they fear are heavy ris
involved in this new Soviet offer of co-operation and particularly in t
active offering of trade credits to the Russians. Other Japanese busine
leaders, especially from steel, chemical and other industries having
stake in the China trade, are also indicating their cautiousness over a
immediate positive response to the Soviet approach, since it would bri
an inevitable strain in Japan's sensitive political relations with Pekin
Thus, Japan's economic strategy towards the Russians appears to be
much influenced by Peking, as her political strategy towards Chi
appears to have reflected the warnings of the Russians.

It is hard to see much evidence of any sharp change of attitude taki
place in foreign relations as a result of the Lockheed scandals. On t
contrary, the Lockheed scandal, like the Watergate affair before it, h
taken the focus off foreign affairs and placed it on domestic affairs. Wha
ever the events of the next few months, it seems certain that the gene
election will be fought on internal and not foreign issues, though such
only the normal pattern. Of course, it has to be said that foreign poli
changes take place imperceptibly in Japan. But there are now so ma
instances of precipitate change in this field in the 1970s that this is
doubtful proposition. Tanaka's approaches to China, Miki's diploma
in the Arab world after the oil crisis—these were sudden volte-faces, b
it must be remembered that they were provoked by the actions of othe
For herself, Japan, recognizing that a major industrial and commerci
nation cannot expect to be popular with her competitors in a time
world recession, finds it convenient to adopt a low profile. Faced wi
accusations of dumping, aggressive salesmanship and inconsiderate tra
policies, Japan has tended to avoid an obtrusive 'political diplomacy' a
concentrated her efforts instead on cultural, and even commerci
diplomacy. By these means she has sought her very own kind of détent

Germany divided: the 1976 Bundestag election

TONY BURKETT

At a time when Europe needs a confident, decisive Germany, the Federal Republic's voters have committed themselves to a prospect of uncertainty, speculation and protracted inter-party wrangling.

THE narrow victory of the governing Social Democrat/Liberal coalition in the eighth Bundestag election held in the German Federal Republic on 30 October reflects the doubts amongst West German voters about the coalition's economic, social and foreign policies and also the skill with which the opposition parties were able to play on these doubts. To the disinterested observer there appears to be little to choose between the parties in these three policy areas and in the key area of debate—the economy—the coalition had a record which any other government in the EEC must regard with envy.

The 1972 election was perhaps the first in which the economy was not the major issue. The SPD/FDP coalition under Chancellor Willy Brandt won a 46-seat majority in a 91 per cent turnout and for the first time the SPD outstripped the votes of the Christian-Democrat CDU/CSU.[1] Then the major issue was the Ostpolitik which Brandt and the Liberal leader, Walter Scheel, tried to get accepted by a Parliament in which their majority slowly disappeared through defections. The 1972 result was an endorsement of the Ostpolitik by the electorate. Some observers saw it as a genuine shift of power in the Republic, as an electoral watershed from which the Social Democrats had emerged as Germany's largest party. Adenauer's party, the CDU, had shown a sharp decline from its high point of 1957 when, with the CSU, it won for the first and only time over 50 per cent of the votes.

If the Eastern policies gave Brandt his victory in 1972, it was the East

[1] See William Patterson, 'The West German election', Note of the Month, *The World Today*, December 1972; and, for background, Roger Morgan, 'Political prospects in Bonn', August 1972.

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which removed him from power. The discovery that his personal assistant, Günther Guillaume, was a spy led to Brandt's resignation and replacement by Helmut Schmidt, the arch-pragmatist who is generally regarded as very able but is often accused of arrogance. Herr Scheel, too, has left the Government and is now President of the Republic. His successor as Foreign Minister, Hans Dietrich Genscher, had declared in May that the Liberals would remain in partnership with the SPD if together they won a majority in the Bundestag, the Lower House.

The opposition parties CDU/CSU ('The Union') thus had the task of winning more seats than the combined total of the two coalition partners. Separate parties outside parliament—the CSU only operates in Bavaria whereas the CDU fights in all other *Laender* (provinces)—the two parties combine in a common election platform. As the larger of the two, it is the CDU which has always supplied the Union's Chancellor candidate. Its leader, Helmut Kohl, Prime Minister of the Province of Rhineland Palatinate, is a newcomer to the Federal political stage, and he took on a rigorous election tour during which he addressed almost 150 meetings. Since he was chosen by the Union, Kohl has developed a political style all his own, and Schmidt's jibes at his opponents' provincialism and inexperience perhaps served only to underline the charges of arrogance against the Chancellor. And, Herr Schmidt claimed, Kohl had only half the intelligence and a third of the brutality of the Bavarian party leader, Franz-Joseph Strauss, whom the SPD tried to depict as Kohl's puppet master, the *éminence grise* who would dominate Kohl's Cabinet and endanger East-West détente. Popular with many, hated by many, aggressive, conservative, folksy and capable, Strauss is the most enduring politician in Germany—perhaps in Europe. His Bavarian power base is as solid as the vaults of the Bundesbank and Strauss has used it to keep himself and his party in the forefront of Federal politics since the days of Adenauer. In the Weimar Republic, Bavaria was a 'cell of law and order' and the conservative Catholic province is still the kernel of the German Right; but though Strauss is a tough and effective campaigner, his nationalist conservative stance is anathema to many moderate voters. Dissatisfaction with the coalition's economic performance led to the Union achieving some successes in provincial elections since 1972, which have given it a majority in the Upper House (Bundesrat); nevertheless, its task seemed an impossible one. The Union had to repeat Adenauer's 1957 triumph and win over 50 per cent of the vote to gain a working majority in the Bundestag. From the outset of the campaign, the Union's tactic was clear: to set the pace, to choose the issues and to force the coalition into a defensive position to justify the Union's charges of governmental failures and the drift to 'Socialism' since 1969. Based on the assumption that it is not oppositions which win elections but governments which lose them, the Union's early and fierce attack badly shook

the coalition, and SPD Ministers returning from their summer holidays found their party faithful virtually in a state of shell-shock from which they recovered but slowly. The Opposition's campaign was a well-coordinated assault aimed not only at the Government's economic record but designed also to show that the 1972 ace—the Ostpolitik—had been trumped, that it was the German Democratic Republic which had benefited most from Brandt's policies—to the Federal Republic's disadvantage. Thus the backcloth to the Opposition's scenario was Honecker's Germany, the Russian satellite, the Communist autarchy, the remorseless Socialist bureaucratic tyranny whose existence is an ever-present and real reminder to the Federal Republic's voters that their country is the front-line of the West.

The GDR—joker in the pack

Whereas the electorate had endorsed Brandt's Ostpolitik in 1972—and the CDU certainly accepted this endorsement—the existence of East Germany remains an important political symbol in mobilizing the Federal Republic's electorate. Indeed it might not be too much of an exaggeration to say that the GDR is the most important symbol—albeit a negative one—in the politics of the Federal Republic. Each Germany is after all the economic, social and political antithesis of the other,[a] and, although the voters accepted Brandt's 'normalisation' policy in 1972, what counts most with them is the abundance provided by the free market economy, itself a constant and concrete reminder of the superiority of the Federal Republic's society over its Communist rival. The creation of Ludwig Erhard and the CDU, the social market economy is what politicians are expected to nurture and Kohl's thesis was that the SPD was endangering it and thus leading the country to 'Socialism'.

At the same time as keeping the miracle going, German politicians are also expected to protect their society from the enemy within as well as without: from Marxist, radical attack from both sides of the Wall. The thesis of the Union that the coalition had damaged the economy, had been weak in dealing with radicals and terrorists and feeble in negotiations with the East was thus neatly summed up in the issue-slogan 'Freedom instead of Socialism'. Germany was on the slippery slope to Socialist bureaucracy, with a weakened economy, radical subversion internally, and externally in danger of being outflanked by the Eastern block. The guileless Liberals were presented as innocent dupes of the SPD, which in turn was too soft on left-wing infiltrators within its own ranks; too soft, or worse—giving them succour. The vagueness of the charges did not lessen their ferocity and the Union's TV campaign showed film clips of

[a] On their interaction, see Robert Bleimann, 'Détente and the GDR: the internal implications', *The World Today*, June 1973, and Peter Bender, 'The special relationship of the two German States', *ibid.*, September 1973.

Brandt and Schmidt happily consorting with Kremlin leaders intercut with shots of Soviet Army tanks in Moscow's Red Square, of refugees running the gauntlet of the Wall, and of trigger-happy East German border guards. The inference was left to the viewer. Were the Social Democrats naive or soft, or were they brothers under the skin with the Kremlin leaders? And it was not just weakness abroad which might lead to the Socialist deluge. The coalition's internal policies, too, were bringing Socialism nearer. Marxist schoolteachers, ideological education, left-wingers in the public service feeding on unrest caused by the weakness of the economy, these were also the fruits of seven years of Socialist rule. Terrorist gangs were said to prosper through the coalition's weakness whilst hard-earned pensions were endangered by financial laxity and indifference, and teenagers stood in dole queues.

The Opposition's campaign was also concentrated on specific areas of the Federal Republic, especially in the heavily-populated industrial province of North Rhine Westphalia which returns almost a third of the Bundestag. Here the Secretary of the CDU, Kurt Biedenkopf, set out to break the SPD's hold on industrial workers, claiming to have found examples of secret assistance given to the SPD by the Trade Unions, which are expected to remain outside party politics in the Federal Republic. Another province where the CDU hoped to do well was Lower Saxony where they won—surprisingly—the control of the provincial government with the help of FDP defections earlier this year. Another area where the CDU made some headway through the revelation of alleged financial scandals was in the province of Hesse, hitherto an SPD stronghold, but where the CDU has of late made some advances against the SPD/FDP government of Albert Osswald whose resignation, announced one minute after the polls closed, had been hinted at by the SPD earlier.

The theme of peace

Against the Union strategy, the coalition partners pointed to their comparative success in protecting the West German economy from the effects of the international recession, hotly dismissing the Opposition charges that pensions were in danger and pointing to West Germany's low inflation rate, decline in unemployment and increase in industrial production. Owing to the coalition's economic policies, the Federal Republic was recovering from the recession faster than any of her Western neighbours. Nor was the coalition less tough than the Opposition on Marxists in the public service. As for being soft on the East Germans, was the Union asking that Western German border patrols should return the fire of Eastern guards who shot at refugees? Peace might be threatened by such irresponsibility. Internally, too, peace was important. Some of Kohl's wilder associates might endanger the social

fabric with their reactionary, divisive statements. Germany was a model not only for Europe but also for the world and the coalition deserved a chance to work on it further.

It was the 'Peace' slogan launched in the last ten days of the campaign which indicated that the coalition—the SPD in particular—was on the defensive and that the Union's thrusting attack and its pace-setting were having an effect. Polls in early September revealed a rise in CDU/CSU support. The SPD, whose principal weapon was Schmidt's standing, seemed to be reeling under the CDU's bludgeon. However blunt the Union's weapon, it was effective, and the SPD's image—to use the adman's phrase—was too blurred. Worse, the myopic voter could have been excused for confusing the posters of the two major parties. Both sported national flags, similar formats, identical colours. For the SPD to use the riposte 'Socialism—yes!' or something similar would have invited electoral suicide, especially after the defeat of the Social Democrats in the Swedish election with which Kohl made great play. Eventually it chose 'Vote for Peace' and swamped the country with the slogan. Meanwhile, its less wealthy coalition party was content to emphasize the solid accomplishment of the reasonable level-headed Genscher and his three Cabinet colleagues. In the final days of the campaign, statistics on unemployment and inflation, Genscher's speech before the United Nations, and the extradition of the terrorist Rolf Pohle from Greece to the Federal Republic gave the coalition some propaganda advantage. However, no relief came from Washington in the form of evidence linking the CSU with the Lockheed affair, although it was claimed that documents dating from Strauss' time at the Defence Ministry had disappeared. The matter is to be fully investigated; although no culprit has yet been found, this sensitive issue was the source of several of the writs issued by politicians from both sides during the acrimonious campaign. Nor did the Lockheed affair feature in the final four-hour TV confrontation between the four party leaders which revealed the deep wounds inflicted during the campaign. Cool, more than somewhat contemptuous and very workmanlike, Chancellor Schmidt eventually launched a stinging attack on Kohl's colleagues, comparing some of them with the ill-famed Harzburg Front which the Nationalist leader Hugenberg set up with the Nazi Hitler in Weimar. Kohl himself gave as good as he got, but Strauss's command of economic matters overshadowed his partner's performance whilst the solid Genscher's reliable manner was deemed to have benefited the Free Democrats.

To the final speculation engendered by the last polls was added the unknown dimension caused by the voting system. Although the voters are conscientious enough, it is generally agreed that most of them do not fully understand the voting system. One poll showed that only a quarter realize that, of the two votes each elector has, the second is the more

important.[8] The first votes elect the MPs in the 248 constituencies, but the second vote determines the total strength of the parties in the House. In 1972 there was a fair amount of 'splitting' by voters who gave their first vote to the SPD but their second to the FDP. Both major parties and the CDU especially were anxious to prevent this happening. This could mean the CDU might win the majority of first votes but lose the election if its share of the second went below 50 per cent. Some effort therefore went into explaining to voters exactly how the voting system worked. For the fourteen minor parties, five of them Marxist, there was another problem posed by the voting system—the 5 per cent hurdle which they had to surmount in order to win seats in the House. This has destroyed a score of parties since 1957 and prevented the radical rightist NPD's breakthrough in 1969. That it would operate again and ruthlessly eliminate all but the Union and the coalition partners was never in doubt.

The outcome

	1972		1976		
	%	*seats*	%	*seats*	% *gain/loss*
CDU	35·2	177	38·0	190	+2·8
CSU	9·6	48	10·6	53	+1·0
SPD	45·9	230	42·6	214	−3·3
FDP	8·4	41	7·9	39	−0·5
Others	0·9	0	0·9	0	0·0
Turnout	91·2		91·0		

The first predictions based on polls proved amazingly accurate as far as the vote of the CDU/CSU and the total of the SPD/FDP was concerned. In fact, the SPD did better than predicted whilst the Liberals did slightly worse. This time there was less splitting of votes which had favoured the Liberals in 1972. No one had expected the FDP to lose ground and many expected it to gain. As it was, the coalition lost 3·8 per cent, the Union gained by the same amount, whilst the minor parties remained below 1 per cent. Schmidt's majority was reduced from 46 to 10.

Thus, for the first time since 1953, the SPD lost ground and was driven back to its pre-1969 position. In particular, it seems to have suffered most from defections by key middle-class groups whose support it had won slowly in the 1960s. This was particularly so in town areas. That the movement against it was less sharp in rural areas may have been a reflection of satisfaction with the coalition's agricultural policies. The reason for the fallback, however, must be attributed to the SPD's campaign as much as to its perceived performance in government. It lacked focus, initiative and direction. Furthermore, the SPD made the error of underestimating Kohl and his appeal. One and a third million of its 1972 voters went past the halfway house of the FDP and into the CDU camp. For the Union, this was their best result since 1957. Indeed the CSU increased

[8] Poll conducted by the Allensbacher Institut für Demoskopie, reported in *The Times*, 2 October 1976.

its vote to a staggering 60 per cent of the Bavarian total, its best result ever. The southern states (except Saarland) showed an above-average swing to the Union, whereas in the north the SPD lost about 2·5 per cent. Kohl's appeal seems to have been most effective amongst the middle classes, women, churchgoers—of both confessions—and amongst pensioners. Schmidt's pragmatism did not fire the young as Brandt's idealism had in 1972. Ominously, the CDU pipped the SPD amongst first-time voters and reversed the famous trend to the 'Genossen' (comrades) of the 1950s and 1960s. The FCP was reduced to its hard core of loyal voters, suffering like British Liberals often have done when the groundswell is to the right.

What kept the coalition in a majority—by the skin of its teeth—was that the swing was not uniform. The CDU was clearly disappointed with its results in the Ruhr, Lower Saxony and Hessen where, surprisingly, the SPD emerged—just—as the largest party. It was a failure to break through in the north which denied Kohl a repetition of Adenauer's triumph. It was the SPD's failure to offer more than pragmatism or Schmidt's talents which kept the Social Democrats in an almost permanently defensive stance. Management politics are not enough for a party of the moderate Left, and in a country where increasing living standards are so jealously valued—whether there is a world recession or not—parties of the Right are usually regarded as better managers.

During the Adenauer years, the Union gradually built up its strength to become the Republic's natural party of government. It was the CDU which began to decline in the 1960s whilst the CSU held its ground. There was much speculation after 1972 that the SPD had taken over the Union's mantle, that liberalizing influences amongst the young, the middle classes and especially within the Catholic well-to-do had eaten away at the coalition party Adenauer had built, aided by Erhard's economic 'miracle'. The question is: Was the 1972 election a fluke, and has the Union now found a formula for regaining its dominance? If so, then it will be the SPD which must reorient itself to the 'wave of conservatism' some observers have detected in the Republic recently. Or is the 1976 Election merely a stumble on the SPD's road to becoming the natural party of government—in the way the 1970 General Election in Britain might be regarded by some? If so, the Union may split. The CSU may spread from Bavaria to form the basis of a new conservative party, whilst the CDU might reorient itself to the Centre-Right and become a more attractive partner for the FDP.

What is interesting to the observer of European party politics is the apparent similarity of themes between the right-wing parties, attacking big government, big taxes, interference with individual liberty and reckless trust in the Eastern bloc. This was the CDU line, it was part of the policies that ousted Palme in Sweden, and it is one the Tories are pur-

suing. This similarity may be coincidental, arising from similar demands from the various electorates rather than because European Conservatives are consciously moving towards common approaches. Nevertheless, it could be an important development, which the Social Democratic Left in Europe will neglect at its peril. The direct elections to the European Parliament are not far away. If Conservatism can go European, Socialism will have to follow. This may be the most important feature of the 1976 Bundestag election. In the meantime, now that the voters have given their divided verdict, the parties must begin the coalition-building process—a legacy of Adenauer to the political system and one at which he excelled. The Union has never enjoyed the role of Opposition and the bitterness of the campaign will not evaporate quickly. Moreover the CDU/CSU parliamentary party is now the largest in the Bundestag or will be when the new House meets on 14 December. Until then, the old assembly still sits and in this period we can expect a great deal of manœuvring, especially by Kohl.

If, however, the present coalition does survive, how long can it last? The Union's majority in the Bundesrat may block some laws, especially those authorizing new tax increases which Schmidt was brave enough to announce before the campaign opened. Can the Government govern in such circumstances and, if not, will the FDP be forced to go into partnership with Kohl, fearing that it might not survive in a premature election? Or will that election come within a year or two and will the issue be the power of the Bundesrat? Even less clear are the effects of the small majority on Schmidt's foreign policies, which might prevent him from playing a strong role in détente or taking initiatives over European integration.

New trends in world exports

EDWIN R. CARLISLE

Major shifts and reversals in post-war international trade trends since 1972 *have affected the highly developed and less developed market economies much more than the centrally planned economies.*

WHAT has happened to the global trade structure since 1973? Prior to that, international trade since the Second World War had grown consistently faster than either world population or production: as Table 1

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shows, between 1948 and 1972 population grew by 63 per cent, real production by 267 per cent and real exports by 441 per cent.

While trade increased relative to production for all three major trading areas cited below,[1] it grew comparatively faster for the highly developed market economies (HDME) than for either the less developed (LDME) or centrally planned economies (CPE). Liberal trade policies accounted for much of the increase: the General Agreement on Tariffs and Trade, GATT (1949–62), the birth of the EEC from the Treaty of Rome (1957), the creation of EFTA and LAFTA (1960), and the US Trade Expansion Act (1962) which spurred the Kennedy Round of tariff negotiations. Because trade negotiations and liberalizing policies during this period were directed largely towards the HDME, *internal* HDME trade (i.e. trade between HDME countries) grew considerably faster than the global average. And while exports from the LDME and CPE also increased in the aggregate, the value of exports destined for the HDME (relative to the value traded between or within these groups) increased most. Hence, for nearly two decades, the global trade structure slowly but steadily changed, reflecting the trend of the HDME to absorb an ever larger export share of the world total.

Future emphasis is likely to continue to be placed on the relaxation of internal HDME trade barriers, but a number of post-1971 politico-economic events have already, and for the first time since the Second World War, redirected what had become quasi-historic trends between the rich and relatively poor economies. New and proposed East–West trade agreements, preferential treatment accorded certain LDME, the quadrupling of oil prices by the newly emergent Organization of Petroleum Exporting Countries (OPEC), and more varied and accelerated rates of inflation occurring simultaneously with a general world recession have left an indelible impact on the global structure of trade.

While comprehensive economic commentaries have accompanied these events,[2] the discussion which follows is singular in its attempt to provide a concise overview of the net result based on recent data.

HDME: changes and reversals

The trend reversal period is 1972–3. Table 2, albeit highly aggregated[3] facilitates a review of the direction and degree to which export shares (percentages of total exports between three major groups) have changed: from a 1955–9 average to 1972 and from 1973 to 1975.

[1] EEC: European Economic Community; EFTA: European Free Trade Association; LAFTA: Latin American Free Trade Association.

[2] The entire issue, for example, of the *Journal of International Affairs*, Vol. 28, No. 1, 1974 was devoted to anticipated changes in world trade and US foreign trade policy.

[3] Table 4 which ends this discussion contains the detail of export shares computed from the raw data; Table 2 is a convenient summarization of Table 4, but requires a degree of interpretation in its derivation.

Trend changes (reversals in some cases) are clearly visible. The magnitude of a value given in Table 2 gauges the rapidity with which the share of exports going to a given market area has changed during the time period indicated. The sign or polarity indicates the direction of change. Although the money value of exports between and within all groups has increased during both periods noted, a negative sign denotes a *relative* decline in the share of exports destined for one of the three major market areas. It suggests that the rate of growth of exports to that area must have been relatively less than the average rate of growth of the export total. A reversal in polarity between corresponding values for the two time-segments recorded denotes a reversal in what had become until 1972–3 a post-war trend.

Economists have long witnessed a pronounced rise in the share of global exports sold to the HDME, but recent evidence suggests that the trend has been more than checked. The total share of world exports sold to the HDME rose from a 1955–9 average of 64 per cent to 71 per cent in 1972 (+ 7 recorded in Table 2.); after an uninterrupted climb it maintained its 71 per cent value during 1973, then fell to 70 per cent and 66 per cent during 1974 and 1975 (−5 percentage points recorded in Table 2).

The bulk of the early 1955–72 increase in the HDME share of world exports had been internal. The first column of Table 2 reveals that as one source of the increase, the biggest share change (+9) came from increased trade within the HDME area. The share of LDME and CPE exports destined for the HDME also increased, but for the LDME the increase was relatively small (+3), and for the CPE the increase of five percentage points originated from a comparatively small export base (total CPE exports have been typically less than half the value of the LDME, and less than a sixth of all exports received by the HDME).

The fourth column of Table 2 confirms that the bulk of the decline in the HDME share of world exports during 1973–5 occurred again because of internal trade (−6); intra-HDME trade, as a share of the total, plummeted during this period. The CPE, on the other hand exported relatively more to the HDME during 1974, but the 1975 share slid back to its 1973 value of 28 per cent, providing no net change over the 1973–5 period.

While the absolute value of HDME total exports has increased con

[4] The 1955-9 average share of global exports originating from the CPE, from the LDME and from the HDME was 11 per cent, 23 per cent and 66 per cent respectively. While the CPE share remained relatively steady through 1972, the HDME share increased to 72 per cent and the LDME share decreased to 17 per cent. Then from 1972 to 1975 the trend reversed and the shares of world exports from the three areas have been swiftly restored to almost exactly their original 1955–9 values: currently 10 per cent, 24 per cent and 66 per cent for the respective 1975 export shares of the CPE, LDME and HDME.

siderably during the past several years, the sudden rise in the money value of HDME exports destined for OPEC, an important sub-group of the LDME, contributed to the relative decline in the value of HDME exports traded internally. The share of HDME exports internally traded has thus declined as the share of HDME exports sent to the LDME has risen.

An answer to the broader question of the net economic effect on trade may be suggested. Petroleum price rises have caused the HDME to urge OPEC to recycle their petro dollar surpluses, to increase their capital exports and to raise their imports from the HDME so as to facilitate payment. But the petroleum price rises have also induced a measure of energy conservation and efforts towards self-sufficiency in the HDME. Recent data in Table 4 tend to confirm the early net outcome: the reversal in trend suggests that despite the recent explosion in world trade (and prices), the LDME (OPEC) have none the less managed to absorb an ever larger share of tangible output. While the LDME share of total HDME exports ebbed to its lowest value as late as 1973 (18 per cent), the LDME share then jumped to 21 per cent 1974, and to 24 per cent during 1975.

LDME: a declining market

Exports to LDME have increased in money value, but less than the increase in global exports overall. Hence, for a long time the share of global exports to the LDME steadily declined: from a 1955–9 average of 25 per cent to a 1972 value of 18 per cent (minus 7 percentage points recorded in Table 2). And of all exporter groups, the HDME share of exports to the LDME fell the fastest: from a 1955–9 average of 28 per cent to a 1972 value of 18 per cent (minus 10 percentage points). Clearly, in terms of a share of revenues to an exporter, the LDME had been a poor market for HDME exports during the period.

Since 1973, however, the trend has reversed. In the last three years, the world share of exports to the LDME has increased from 18 per cent to 23 per cent (+5), and the HDME share of exports to the LDME has grown even faster, from 18 per cent to 24 per cent (+6). Both the world and HDME share of exports to the LDME have almost completely recovered. If the trend continues, the LDME are expected to recapture their 1950 share of global and HDME exports within a year or two.

Of all three major trade areas, the LDME share of exports to the HDME and CPE has changed least over the past several decades. Consistently over the period, from 72 per cent to 75 per cent of LDME exports went to the HDME, 19 per cent to 24 per cent to other LDME, and 3 per cent to 5 per cent to the CPE. Relatively, the value of LDME exports to the HDME has probably grown only slightly more than the average value of LDME export growth overall. Aggregate data in Table 4

do *not* support the hypothesis that the HDME have absorbed an ev larger share of LDME total exports.

On the other hand, the data do support LDME concern over tl increasingly rapid depletion of certain basic resources. Table 3 recor LDME export growth by major Standard International Trade Classif cation (SITC) category. LDME exports of food and raw materials, as share of total exports to the HDME, have declined. Although th absolute value of exports in all categories has increased, the relativ decline in food and raw materials has been the result of a phenomena rise in the export of fuels. The fuel share of LDME exports to th HDME increased from a 1955–9 average of 24 per cent to a 1972 valu of 40 per cent.[5]

The dramatic rise in the export of fuel cannot of course be attributed exclusively to HDME demand. LDME exports of fuel destined for other LDME increased in absolute terms 138 per cent, but the fuel *share* of LDME exports to other LDME declined slightly from 39 per cent in 1955–9 to 35 per cent in 1972.[6] Hence, while it is true that some pecuniary advantage accrued to LDME fuel exporters out of a growing internal need for energy, in both absolute and relative terms HDME absorption of LDME fuel grew considerably faster and accounted for the greatest portion of increased LDME exports to HDME (Table 3).

The rapid increase in LDME sales of fuel products to the HDME was also accompanied by a rapid increase in internal HDME sales of fuel. But HDME exports of fuel to HDME trading partners increased to 220 per cent, while LDME exports of fuel to the HDME increased 380 per cent during the same 1955–72 period. This suggests that the HDME need for fuel and energy was even greater than that revealed by the LDME export figures alone. The steadiness with which the values change suggests further that the trend towards ever larger exports of fuels could have been easily discerned during the 1960s.

CPE: steady changes in the trade structure

In absolute money terms, CPE exports have nearly quadrupled during the last decade. But CPE export growth to the HDME and LDME has been relatively greater than the growth of exports traded within the CPE. Hence, while during the late 1950s approximately one quarter of all CPE exports went to the market economies, currently nearly half of all CPE exports are destined for them. Summary data provided in Table 2 show that the 11 per cent decline in the share of *internal* CPE exports was the consequence of increases in the share of

[5] The absolute current value of LDME exports to the HDME of food increased 80 per cent, of raw materials 59 per cent, and of fuels 380 per cent from the 1955–9 average to 1972.

[6] Not in table.

exports sent to the LDME (+7) and to the HDME (+5). The increase in CPE exports to the HDME, although +5 compared to the +7 share change to the LDME, is significant since the absolute value of CPE exports to HDME is nearly double the value exported to the LDME.

For the entire decade, 1965–75 (Table 4), the CPE share of exports to the LDME remained constant at 15 to 16 per cent of the CPE total; *recent* trends in CPE exports to the HDME are not nearly so certain, however. While Table 2 properly summarized the 1955–9 to 1972 and 1973–5 change in share as +5 and 0, examination of the raw data in Table 4 reveals that the CPE share of exports to the HDME continued to increase through 1974 (to 33 per cent), then for the first time in 1975 fell back to its 1973 value of 28 per cent. Subsequent UN data will indicate whether 1974 was a turning point, or whether 1975 is a maverick year and the CPE share of exports to the HDME will continue to climb.

To sum up, from 1973 pronounced changes in trade took place between the highly developed and less developed market economies, while the rise of CPE exports to the market economies continued unchecked through 1974. Current events have set new trends in the trade structure. How trade gains are and will be proportioned between East–West and Third World areas is worth watching, for not only do relative increases in trade to a region tend to be a harbinger of comparatively greater 'real' economic gain, but they portend greater economic dependency as well.

Table 1

Trend in World Trade, Production and Population.
(quantum index 1963 = 100; *real commodity values)*

	1948	1958	1968	1972
Export-Trade	39	71	152	211
Production (mfg)	45	73	137	165
Population	75	90	111	122

Source: United Nations Statistical Yearbook, 1973.

Table 2

Net Changes in the Share of Exports Destined for Major Market Areas.

Exports: from	*to*	1955–9 *to* 1972 *HDME*	*LDME*	*CPE*	1973–5 *HDME*	*LDME*	*CPE*
World		+7	−7	0	−5	+5	0
HDME		+9	−10	+1	−6	+6	+1
LDME		+3	−5	+2	0	+1	−1
CPE		+5	+7	−11	0	0	0

Source: Appendix Table 4, compiled from UN Statistical Yearbook, 1967, 1973; *UN Monthly Bulletin of Statistics*, June 1976.

Table 3

LDME Exports by Major SITC Class 1955–72: to HDME and All Market Economies. (Current values rounded by thousand million US dollars f.o.b., share of total in parentheses)

Exports of SITC	*Total* 0-9	*Food* 0+1	*Raw Materials* 2+4	*Fuels* 3
1972	66	14(22)	10(16)	26(39)
1971	57	12(22)	9(16)	22(39)
1970	51	12(23)	9(17)	18(35)
1965-69	195	48(25)	38(19)	67(34)
1960-64	141	41(29)	34(24)	43(31)
1955-59	119	39(33)	32(26)	33(28)

LDME Exports to All Market Economies

Exports of SITC	*Total* 0–9	*Food* 0+1	*Raw Materials* 2+4	*Fuels* 3
1972	52	11(22)	8(16)	21(40)
1971	45	10(22)	8(17)	18(40)
1970	40	10(24)	7(18)	14(35)
1965–69	152	39(25)	32(21)	52(34)
1960–64	108	33(30)	28(26)	31(29)
1955–59	90	32(35)	27(29)	21(24)

LDME Exports to HDME

Source: United Nations Statistical Yearbook, 1967, 1973.

Table 4.

East–West and Third World Exports

(Current values in thousand million US dollars f.o.b., share of total in parentheses)

	Exports from World				*Exports from HDME*			
To:	*World*	*HDME*	*LDME*	*CPE*	*World*	*HDME*	*LDME*	*CPE*
1975	879	583(66)	199(23)	92(10)	580	404(70)	138(24)	35(6)
1974	837	588(70)	172(21)	72(9)	544	398(73)	114(21)	28(5)
1973	577	409(71)	105(18)	57(10)	408	312(76)	74(18)	20(5)
1972	411	294(71)	74(18)	41(10)	297	230(78)	54(18)	12(4)
1971	348	246(71)	65(19)	34(10)	251	193(77)	47(19)	9(4)
1970	312	220(71)	58(19)	31(10)	224	172(77)	42(19)	8(5)
65–9	223	154(69)	43(19)	24(11)	156	118(75)	31(20)	6(4)
60–4	146	96(66)	31(22)	17(12)	98	71(73)	23(23)	4(4)
55–9	106	68(64)	26(25)	11(10)	70	48(69)	20(28)	2(3)

	Exports from LDME				*Exports from CPE*			
To:	*World*	*HDME*	*LDME*	*CPE*	*World*	*HDME*	*LDME*	*CPE*
1975	211	154(73)	47(22)	8(4)	87	24(28)	13(15)	48(56)
1974	222	166(75)	46(21)	8(3)	72	23(33)	12(16)	36(50)
1973	111	81(73)	23(21)	5(5)	58	16(28)	9(15)	32(56)
1972	71	53(75)	14(19)	3(5)	43	10(23)	6(15)	26(61)
1971	61	45(73)	12(20)	3(5)	36	9(24)	5(15)	22(61)
1970	55	40(73)	11(20)	3(6)	33	8(23)	5(16)	20(61)
65–9	41	30(73)	8(20)	2(6)	25	6(23)	4(16)	15(61)
60–4	30	22(72)	7(22)	2(5)	17	3(19)	2(12)	12(67)
55–9	25	18(72)	6(24)	1(3)	11	2(18)	1(8)	8(72)

Source: UN Statistical Yearbook, 1967, 1973;
UN Monthly Bulletin of Statistics, June 1976.

Note: Shares (in parentheses) may not compute exactly from the absolute values given because of rounding off.

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Owing to rising costs, the price of *The World Today* has to be increased from 1 January 1977 to £6 *post free* per annum for subscribers in the UK, $18 for the US (inclusive of accelerated surface post) and £8 for the rest of the world, or 50p per issue *plus postage* ($1.60 inclusive).

Notes of the month

WASHINGTON IN TRANSITION

COUNTRIES outside the United States, especially in Europe, are beset by enough difficulties at present without the added uncertainty of a new President and a new Administration in Washington. But, given that the American political timetable is fixed, the result of last month's election could hardly be more hopeful. Another four years of the Ford Presidency, with an ineffective Republican in the White House blocked at every turn by a Democratic Congress determined to assert its authority, would have frustrated most, if not all, attempts to find answers to international as well as domestic problems.

President Ford gave his country all he had and served it courageously and devotedly, not least by his hard-working, decent campaign in the recent election. It is due as much to him as to his Democratic opponent, Mr Carter, that neither the Vietnam disaster nor the Watergate scandals were serious issues in that election. The new President takes over a United States that is no longer bitterly divided. Nor, however, is it united behind him. Mr Carter had a clear majority both in popular votes and in the electoral college, but in the end he only just held his lead after having been far ahead of Mr Ford when the campaign opened. To know Mr Carter better seems to have made the voters more, rather than less, doubtful about what he stands for and whether he is able to run the country. This is rather unfair since his speeches contained clear statements of his principles, especially on domestic issues, and as an ex-Governor of Georgia he has more experience of administration than any recent President, all of whom have come to the White House from Congress. Indeed, in the present atmosphere of distrust of Washington, Mr Carter's previous lack of involvement in the federal government was one of the assets which recommended him as a candidate. Now the narrowness of his victory insures him against arrogance or over-confidence, if such a hard-headed and calculating man needs such insurance.

The narrowness of his victory may also insure that he will not try to go it alone and ride rough-shod over his official party, as he has tended to do. For in the end his success was largely due to the traditional Democrats

whose loyalty to their party overcame their suspicions of its nominee, and especially to the trade unionists and local bosses who pushed the voters into the polling booths. Another factor which made the total vote bigger than had been predicted, and which was vital to Mr Carter's victory, was the heavy turn-out of blacks in both the South and the industrial centres of the North. The Democratic President-elect has been put into office by a revival, maybe only a temporary one, of the old Rooseveltian coalition. But to Washington he is something strange and different—a man from the Deep South, the first in the White House since before the Civil War which will, it is hoped, be finally ended by his inauguration. The electoral map shows how the South and the North came together behind Mr Carter. But it also shows a clearer division between the Democratic East and the Republican West than ever before, with interesting implications for the future of the Republican party.

Since Mr Carter was not swept into the Presidency by any great wave of enthusiasm, he did not carry marginal candidates for the Senate or the House of Representatives along with him. So congressional Democrats do not feel indebted to him for the substantial majorities that they held on to, somewhat surprisingly, in both Houses. Nor will the legislature lightly give up the power that it has built up in recent years *vis-à-vis* the executive, especially since in both Houses of the next Congress there will be new Democratic leaders anxious to show their authority. Mr Carter may not have enemies in Congress but he does not have friends either—and his record in Georgia suggests that he is not very tactful in dealing with legislators. But in this he will be aided by his Vice-President, Mr Mondale, a popular and experienced Senator. Nevertheless, the honeymoon period for the new President's relations with Congress may be even shorter than usual.

Mr Carter's choice of Mr Mondale as his running-mate illustrates how careful and imaginative the President-elect is likely to be in balancing his team. In the United States, a new Administration brings in with it some 2,000 new officials. The most important appointments will be announced quickly to facilitate the exchange of power before Mr Carter is inaugurated on 20 January 1977. There are sure to be many new faces among them, although he has been consulting the old Democratic establishment on matters of policy. Partly because of the new laws on election finance, he comes to office with fewer debts to repay and fewer obligations to his supporters than previous Presidents, although he can hardly overlook what he owes to black and trade union help. He intends the style of his Administration to be democratic with a small 'd' as well as a large one.

Mr Carter's transition staff has been preparing advisory papers for him, especially on such urgent matters as government reorganization, which he is determined to carry through, and the federal budget, which Mr Ford must present to Congress before he leaves. If the economic out-

look continues to deteriorate, Mr Carter will want to give it priority, especially since his most specific promise, and one which the voters will expect him to keep, has been to reduce unemployment to acceptable levels quickly. But those who fear that in the process he will encourage a recrudescence of inflation should remember that Mr Carter is not only basically a conservative, in spite of his populist approach, but also that he is the first practising businessman to come into the White House since Herbert Hoover.

Both America's current concerns and Mr Carter's personal interests mean that he will turn his attention first to domestic social problems rather than to foreign affairs—if international developments allow him to do so. And in his view of the world abroad he differs far less from Mr Ford than in his view of the world at home, although he is more aware of the needs of the less-developed countries and more opposed to selling arms to potential war-makers. Changes in foreign policy will probably affect its manner more than its matter; the new men will be conducting their affairs more openly and their consultations more broadly than did the old, if President Carter practises what he has preached. He has much to learn about his new job and about the international scene but he is highly intelligent, a quick study with a sophisticated outlook, an activist with a strong moral sense, and certainly not averse to being a world leader. But first he will have to consolidate his leadership of his own country.

NANCY BALFOUR

AFTER THE CAIRO SUMMIT

Two months ago, when the Syrians had launched their last—and most determined—offensive against Palestinian and Leftist positions in Lebanon to a chorus of condemnation in the Arab world, neither they nor anybody else could have expected events to take the turn they have since. For during the first half of November the Syrian army—albeit in the guise of an Arab League peacekeeping force—has been allowed to carry out a military occupation of most of Lebanon without meeting any significant armed opposition and with hardly a word of criticism from the Arab world.

That this change in Syria's fortunes has been possible is at first sight startling, because the nature of the Syrian presence in Lebanon has changed little. However, it is less surprising when the broad strategic interests of the major Arab states are taken into account: for the most important Arab leaders—President Assad of Syria, President Sadat of Egypt and King Khaled of Saudi Arabia—share more or less the same concerns in Lebanon. Once these three could decide to act in unison, progress towards peace in Lebanon became a real possibility.

Although Syria's intervention in Lebanon was partly motivated by the long-standing Syrian view of Lebanon as part of historic 'Greater Syria' and therefore an area of unique Syrian concern,[1] her most immediate impetus was to prevent partition of the country or the setting up of a radical left-wing government—either of which was liable to provoke an Israeli intervention and risk the outbreak of a new Middle East war—and to bring the Palestine Liberation Organization (PLO) more closely under the control of the Syrian Government. Similarly, neither Egypt nor Saudi Arabia wants to risk the outbreak of another Arab–Israeli war; and both of them would like to see the independence of the PLO curbed. Both—and increasingly Syria too—wish to reach a settlement with Israel. Up to now the main factor preventing the formation of a united Arab negotiating front has been the refusal of the PLO publicly to state its willingness to recognize Israel in the context of a peace agreement. With the United States presidential election out of the way and a new Administration due to take over in January, a united Arab position would enormously strengthen Arab bargaining power when the expected renewal of the American peace initiative comes.

These considerations prompted Saudi Arabia's King Khaled and the Kuwaiti ruler, Sheikh Sabah, to use their considerable influence to bring the main actors in the Lebanese tragedy to a summit in the Saudi capital, Riyadh, in the middle of October. The prime object of the Riyadh summit was to reconcile Egypt and Syria. Ever since the Egyptian–Israeli Sinai disengagement agreement of September 1975 President Sadat had been smarting under Syrian accusations of betrayal of the Arab cause and abandonment of the Palestinians. Syria's actions in Lebanon provided Sadat with the opportunity to level the same accusation at President Assad and thereby to re-establish his own credit with the Palestinian resistance. But Egypt's war of words against Syria had always been a short-term tactical policy rather than a reflection of deep-seated differences. Once President Assad agreed to cease his criticism of the Sinai accord, the way to a speedy reconciliation at Riyadh was open, and Egypt was ready to endorse Syria's dominant role in Lebanon. The six leaders called for a ceasefire in Lebanon, to be followed by the setting up of an Arab peacekeeping force, wearing Arab League colours, under the command of Lebanon's President Sarkis. The combatants would give up their heavy arms and would return to the positions they occupied on 13 April 1975, the date on which the civil war started. The PLO was constrained to respect Lebanese sovereignty and to abide by the terms of the Cairo Agreement of 1969, which restricted the guerrillas' freedom of movement in Lebanon and forbade them to set up permanent military bases in their camps or to open fire on Israel from inside Lebanese terri-

[1] See the present writer, 'The Syrian stake in Lebanon,' *The World Today*, November 1976.

tory; in return, their right to carry on their struggle for the liberation of Palestine was acknowledged. The Riyadh summit also reaffirmed the Arabs' acceptance of the resolutions of previous Arab summits at Algiers and Rabat recognizing the PLO as the 'sole legitimate representative of the Palestinian people'.

These resolutions were submitted a week later to a full Arab summit in Cairo, which also discussed the situation in southern Lebanon and on the Israeli-occupied West Bank of Jordan. The main task at Cairo was to work out the details of the composition and financing of the Arab League's peacekeeping force, but the only concrete decision made was that the force should total 30,000 men and that it should comprise soldiers from a number of Arab states. Its exact composition and financing having been left vague, the result was that the vast majority of the force that occupied Lebanon during November was Syrian—albeit in the colours of the Arab League and under the formal command of President Sarkis and a Lebanese Commander, Colonel Ahmed al-Hajj.

The main dangers to the success of the new peacekeeping initiative come from the left wing of the Palestinian resistance and from the extreme Christian Right. The mainstream of the PLO—led by its Chairman, Yasser Arafat—has bowed before the superior power of the major Arab states acting together. As long as Egypt was aligned with the PLO against Syria, there was some hope of the PLO remaining free of Syrian tutelage. But once Syria and Egypt had buried the hatchet with Saudi support, Yasser Arafat no longer had any alternative but to accept a fait accompli, with the inevitable limitations on the PLO's freedom of action ensuing from Syrian dominance in Lebanon. It is a harsh truth for the Palestinian resistance that it can only be as free as the Arab states allow. But some of the extremists may be reluctant to accept that situation, and they are likely to find support from Iraq, the only Arab Government to boycott the Cairo summit and one which is always willing to use Lebanon as a stick with which to beat its Baathist rival in Damascus. On the Right, there has been increasing suspicion of Syrian and Arab intentions since the beginnings of a rapprochement between Damascus and the PLO. But the main flashpoint for trouble from the Christian Right comes in south Lebanon, where Christian forces have strengthened their positions with the support of the Israelis, who would like to see a Christian-controlled *cordon sanitaire* between them and Syrian-dominated Lebanon. Though the Syrian army has allowed some Palestinian guerrilla units to filter back, the south is more or less a 'no go' area for an Arab army.

Beyond the immediate problems of enforcing the ceasefire and disarming all those militias and individuals who have become accustomed to fighting as a way of life for nearly two years, the question of the longer-term future of Lebanon looms unanswered. Neither the Riyadh

nor the Cairo summit touched on the question of a constitutional settlement. In a memorandum presented to the Cairo conference, the leader of Lebanon's left-wing alliance, Kamal Jumblatt, insisted on the 'achievement of political and social reform, cancelling political sectarianism and removing the discrimination imposed by the sectarian, factional system.' There are still many intransigent Christians who would find that demand as hard to swallow now as they did when the civil war started. And what role will the Syrians play in Lebanon in the longer term? The Riyadh and Cairo summits have for the moment resolved the embarrassing and stultifying lack of unity in the Arab world and opened the way to an end of the fighting in Lebanon. But the issues which started the civil war remain unresolved.

SAM YOUNGER

Spain one year after Franco

ARNOLD HOTTINGER

On 18 November the Cortes overwhelmingly approved the Government's reform Bill, opening the way to the first general election since the Spanish Civil War. This article, which was completed before the historic vote, focuses on the factors for change in Spain today.

In the twelve months since Franco's death the Spanish Government has made some efforts to adapt Spain's political system to the country's social structure as it exists today. The ideal would be to achieve a harmonization of regime and society to the point where it would be possible to rule the country no longer in an authoritarian way, that is by using or threatening violence, but with the consent of a majority of the inhabitants.

The regime had its origins in the Civil War, which was never followed by genuine reconciliation. The vanquished side was not only ideologically proscribed, it was precluded from political and trade union organization —a ban which had the economic result that some classes, mainly the workers and peasants, had to content themselves with a small share of the national cake, whereas those who collaborated with the government managed to lead a comfortable life. The regime, which Franco had built up stone by stone over the years, was devised so as to enable it to endure with a minimum of friction. Franco himself was probably of the opinion that in its essential features, which he saw as well adapted to his country's needs,[1] it could last 'for ever'.

Social development

In contrast to the regime, however, Spanish society developed quickly and decisively during the last 15 years. Suffice it here to recall only the

[1] See Franco's 1966 speech on the introduction of the *Ley Orgánica* as published in *Leyes Fundamentales del Reino*, Boletín Oficial del Estado, Madrid 1967, pp. 186 ff, particularly pp. 198–9. Spaniards like to quote Franco's phrase: 'todo está atado y bien atado' (all is tied up and well tied up) when discussing his intention to create a lasting framework with the Fundamental Laws. These are not really a constitution but a series of laws promulgated at different times, which have constitutional ranking and have been put together under the above-quoted title. They are characterized more by uncertain formulations and far-reaching general concepts than by inner coherence and juridical clarity.

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main factors in this evolution: (i) the economic liberalization, launched i 1959 with the return to the convertibility of the peseta, which led t Spain's integration into the international economic system of the Wesı (ii) the rapid economic growth from 1960 onwards, due mainly to th industrialization of Spain with the help of foreign investment and tech nology, which doubled the GNP in a decade; (iii) the decisive change within the Spanish Church in the wake of the Second Vatican Counc that brought about the transformation of the existing Church–Stat relationship; (iv) the closer contacts with the rest of Europe throug emigration and tourism; (v) the penetration of contemporary Europea ideas, mainly in the social and sociological area, including social demo cratic and Marxist tendencies (class analysis), first into the Universitie (since 1956) and then, with the sanctioning of limited press freedom at th end of 1966 (the Press Law and the lifting of preliminary censorship), t a wider public; (vi) the emergence of illegal parallel trade unions (*Comi iones obreras*) since 1962 aiming to by-pass and eliminate the vertic state-run unions.

This rapid process of change created strong tensions between th generations in Spain. The young, which grew up after the Civil Wa generally approved the changes taking place and increasingly demande a political follow-up in the guise of an 'opening up' of the regime an greater 'participation' of Spaniards in their government. The olde generation, strongly conditioned by the horrors of the Civil War, whi approving the economic developments, continued to see in the regim and in Franco personally, a guarantee of law and order, which fe (especially in the ruling class and the bourgeoisie) were wiling to giv up.

Already during Franco's lifetime, the sociologists claimed that Spai was living in a post-Franco era (*postfranquismo*): the majority of Spaniar had not consciously experienced the Civil War, and their sociologicall measurable behaviour approximated increasingly to that of neighbourin European nations whilst differing more and more from the preference and attitudes of the older Spanish generation. Even the political supe structure of the Franco regime was breached in several places during h lifetime. The most important breakthrough was the lifting of dire censorship at the end of 1966 and the freer discussion in the newspape (radio and television remained purely state media, which voiced on official attitudes). But the prolonged discussion about the possibility introducing 'opinion groups', and later 'political associations', into th regime remained more an indication of future trends than of real politic change.[2] The very names were chosen in order to avoid the word 'part

[2] Arias Navarro promised the right to 'political associations' already in Janua 1974; the discussion of the principle began as early as 1968. See A. Hottinge *Spain in Transition: Prospects and Policies*, The Washington Papers, No. 1 pp. 15–20.

which remained taboo and was implicitly, if not formally, excluded from Spain's Fundamental Laws.[3]

Ossified regime

After Franco's death on 20 November 1975, Don Juan Carlos as King took over the presidency of the regime. The King himself, who belonged to the younger generation of Spaniards, made it clear already in his Speech from the Throne that he wished to democratize the regime. But, like all his ministers and other officials, on taking office he had to swear an oath of allegiance to Spain's Fundamental Laws. These laws had been framed by Franco so as to ensure the continuity of the regime beyond his death—an aim clearly reflected in the provisions for the Council of the Realm enshrined in the Fundamental Laws.[4] The Council, consisting of 17 dignitaries of the regime, was given the right under the Fundamental Laws to name a triumvirate after the death of Franco, from which the King must choose the Prime Minister of the new Government. Should one of the three Councillors be eliminated through death or the age limit of 75, the Council itself would choose a new member by co-option. Of course, some members of the Council belong to it *ex officio*, for instance the most senior Chief of the General Staff, the oldest General on the active list, the most senior Bishop of Spain, etc. At Franco's death, the Council included the regime's most loyal dignitaries from the epoch of the Civil War, who owed their positions directly or indirectly to Franco himself. Behind the regime's 'institutions' stood a considerable armed power. The army generals and chiefs of police also have to swear an oath of allegiance[5] to the Fundamental Laws. Under Franco, it was drummed into the Armed Forces that they represented the ultimate guarantee of the regime and that it was amongst their duties to ensure its permanence.

Role of the Army

The Fundamental Laws envisage the possibility of change in their own text.[6] It is stipulated that such changes must be approved first by

[3] *Leyes Fundamentales del Reino* (see footnote 1), p. 19 (Principios del Movimiento Nacional, paragraph 8): '. . . Every political organization of whatever kind outside this representative system is considered illegal.' The system is further described as 'family, community, trade union and other entities of organic representation, which are recognized by the laws'.

[4] Laid down in various places of the *Leyes Fundamentales*, see p. 106f, p. 56 and p. 58.

[5] In the demonstrations and propaganda of the Falangist old guard there is often talk of the 'perjurers'. This is a dangerous accusation, levelled against all who, in the view of the old Falangists, want to change the essence of the Fundamental Laws on which they have taken an oath. The accusation is dangerous because it indirectly challenges the army officers to proceed against the 'perjurers' in the name of their oath of allegiance. If one accepted the charge as justified, it could be applied even to the King.

[6] *Leyes Fundamentales* . . ., p. 111: 'To abolish or change them [the Fundamental Laws] a popular referendum as well as the consent of the Cortes is needed.

two-thirds of the Cortes (Parliament) and then by popular plebiscite. Consequently the attitude of the military as guardians of the Fundamental Laws is that they would not object to changes in these laws under the prescribed procedure, but that there would be at least the possibility of their direct intervention if the Fundamental Laws were in danger of being changed or even abolished by methods not laid down in them. Although this attitude has never been openly spelled out, it can be deduced from background conversations and events; individual differences exist amongst the top ranking officers, but the conservation of the Fundamental Laws and their revision according to the rules are the common denominator binding the majority. Changes contrary to the rules could be equated with 'revolution' and the openly pro-Falangist Generals could in that case—if they had the practical possibility[7]—feel justified to intervene.

In the last resort, this guardian role of the officers might have forced the government of King Juan Carlos to proceed with care. When it became clear that the Council of the Realm was only willing to include three very conservative supporters of Franco in the list from which the Prime Minister would be chosen, the King and his liberal advisers decided that it might be just as well to keep the incumbent Prime Minister, Arias Navarro, but to make him form a new government. Navarro belonged to the supporters of Franco,[8] but during the last years under the Generalissimo he had tried to promote the liberalization of the regime. Having met with opposition from the Franquist old guard, he had been forced to tone down his original aims.[9]

Navarro's caution and downfall

Arias Navarro appointed nine ministers, amongst whom the Minister of the Interior, Fraga Iribarne and the Foreign Minister, José María de Areilza, were the real driving force behind the democratic development. Fraga's many liberal supporters were housed in Information, Education

[7] It is possible that in respect of a coup the general's freedom of action would be limited by the attitude of the middle-ranking officers. That some of these officers hold different opinions from their seniors can be seen from the existence of an (illegal) grouping within the army, which calls itself *Unión Militar Democrática* (UMD). Five of its members were arrested on 29 July 1975 and later sentenced to long prison terms; they were released from gaol under last August's amnesty, but have not been reinstated. On the UMD, see an article by its exiled spokesman, Colonel Domínguez, *Le Monde Diplomatique*, November 1975, p. 7, and the contribution by an anonymous Spanish officer, *ibid.*, p. 6. The real strength of the UMD is not known to outsiders; its ideals appear to be democratic; see the present writer, *Neue Zürcher Zeitung*, 15 October 1975. A Spanish collection of documents on the UMD appeared anonymously and without indication of place of publication last February under the title *Unión Militar Democrática: Los Militares y la Lucha por la Democracia.*

[8] During the Civil War Arias Navarro was a prosecutor at the military tribunals, Málaga; later he became Chief of the Madrid Police, Mayor of Madrid appointed by Franco, Minister of the Interior and Prime Minister.

[9] See footnote 2.

and other ministries. The new Government proceeded to establish good relations with the European states by making liberal declarations to the outside world. For months Spaniards could read the most generous declarations of intent by their ministers in the foreign press or, as quotations from foreign reports, in their own newspapers. In Spain herself, a reform plan was drawn up mainly on Fraga's initiative; this envisaged a two-chamber system, with a freely elected Lower House (but apparently with a majority system favouring the conservative forces) and an Upper House, called Senate, which was to be chosen indirectly. Not all the details of the reform were made public, because the Government fell before it came to fruition. Fraga was probably planning to create seats in the Senate which the veteran deputies of the Cortes could expect to fill, and he may have hoped to obtain their consent to the reform as a *quid pro quo*.

But, surprisingly, the Navarro Government fell on 1 July 1976 when the King dismissed his Prime Minister. It had been rumoured for several weeks that Navarro had displeased Juan Carlos,[10] because he made promises to pursue liberalization vigorously but hesitated and took only insignificant steps in practice. It is likely that the King decided to dismiss him as soon as he received a hint from the President of the Cortes and the Council of the Realm, Fernández-Miranda (whom he had appointed at the beginning of his reign), that the Council was now ready to approve a triumvirate including at least one candidate favoured by the King.

The choice of Suárez

It was no doubt Fernández-Miranda who really pulled the strings in this crisis. After the fall of the Navarro Cabinet and two rather stormy sessions of the Council of the Realm (always held in the strictest secrecy), the Council apparently approved a list of three, which contained the names of Muñoz Silva, López Bravo and Suárez González. The first two had been ministers under Franco, Muñoz Silva being close to the conservative hierarchy and López Bravo one of the Opus Dei 'technocrats'; the third, a relatively young and unknown man, had been Minister in charge of the National Movement in the previous government, i.e. top chief of Spain's Falangist state-run political organization. The King chose Suárez probably because of his age: he wanted to work with a Prime Minister of his own generation and not with a famous elderly statesman of the Old Guard who would treat him—as Arias Navarro had

[10] In a startling interview by Juan Carlos in *Newsweek* in the last week of April, the King, according to the interviewer, A. de Borchgrave, described his Prime Minister as an 'unmitigated disaster'. Spanish officials denied the interview, which was censored in some Spanish newspapers, but the English edition of *Newsweek* was on sale in Spain. On the whole incident, see *Cambio 16* (Madrid), No. 230, 3–9 May 1976, pp. 3, 8–10. The interview was supposed to have been given on 8 April.

done—as an inexperienced young man whose opinions and wishes could be by-passed. Such a conjecture should take into account that, under Franco, Juan Carlos from his 17th to his 37th year had played the ungrateful role of a young man who agreed with the decisions of his elders without ever being asked for his opinions. It was difficult to set up the Suárez Government, because the two former pillars of the reform plans, Areilza and Fraga, refused to join it. Though Areilza had been generally tipped as the most likely successor after Navarro's dismissal, his name was not amongst the list of three. Fraga, too, was rejected by the Council of the Realm, apparently because he had indicated in the foreign press that the Communist Party might be legalized in a few years if not immediately. When the Suárez Government was finally formed, it consisted of relatively (for Spain) young ministers with the exception of the four military, who retained control of the three Services and of a general Ministry for the Armed Forces, as they had under Arias Navarro. The Vice-Premier and Minister for the Armed Forces, General Fernando de Santiago, acted as liaison between the officers and the Cabinet.

More liberal than Fraga

The policy of Suárez consisted in trying to outshine Fraga as 'the strong man of reform' by introducing a more liberal style of government and a more far-reaching democratization than Fraga had attempted. In a stormy vote in the Cortes, the Prime Minister succeeded in obtaining the consent of the *procuradores* to a revision of the Spanish Penal Code, which made the functioning of 'political associations or parties' a practical possibility.[11] But the result of the vote was a close one: the Government achieved an absolute majority, which was sufficient in the case of the Penal Code reform, but not the two-thirds majority required for its general reform programme. The Suárez Government also announced a more generous amnesty than the partial one decreed under Arias Navarro.[12] Finally, Suárez introduced a new project for reform, which now envisaged a directly elected Senate and reserved 'constitutional functions' for a future elected Parliament. This proposal was put before the Cortes on 20 October. It would require two-thirds of the votes for the Bill to pass; should it fail to obtain them, the Government had declared its intention to dissolve the Cortes and to go to the people.

Franco's death naturally affected also the opposition parties and groups. A minority have availed themselves of the new opportunity to

[11] A law on 'political associations' had already been passed by the Arias Navarro Government; but in face of opposition in the Cortes, the Government decided to withdraw the law on the reform of the Penal Code which it had tabled at the same time.

[12] Amnesty for all political prisoners was the first demand of the Democratic and Left Opposition; the Suárez amnesty applied to all political prisoners except those convicted of violence.

register as 'political associations' and thus legalize their existence. The majority have preferred to take advantage of the newly enlarged tolerance margin, which enables them to act publicly, although technically they remain illegal.

Amongst the conditions which are non-negotiable in the view of the Generals and could, if they are not observed, lead to their intervention as guardians of the Fundamental Laws, is that the Communist Party should remain illegal and the separatist parties proscribed. The Falangists of the old school regard as separatists all who demand a return to the Catalan and Basque autonomy statutes that were in force before the Civil War. The Suárez Government seems willing to legalize all parties except the Communists and the extreme left groups and to negotiate with the Basques and the Catalans about a minimum of self-government. It has also indicated its readiness to admit the free establishment of trade union centres and to legalize the existing *Comisiones Obreras*,[13] whilst abolishing the still legal state-run trade unions.

Suárez between two oppositions

By its policy, which is more liberal than Fraga's was, the Suárez Government has driven Fraga into the arms of the Right. In October he formed with other former ministers of Franco a strong rightist alliance—*Alianza Popular*—which intends to slow down Suárez's reform plans if not to reject them in principle. The Popular Alliance enjoys a large following in the Cortes. Further to the Right, the outspoken Falangists groups are fighting against all idea of reform.

To the left of the regime, there are also two large groupings: a Democratic Centre,[14] consisting at present of dozens of small groups, ranging from the Christian Democrats through the Liberals to the Social Democrats, and the so-called Democratic Co-ordination, which encompasses the political spectrum from the Left Catholics to the Maoists. The entire Democratic Opposition declared at the beginning of the King's reign, and has maintained since, that it is impossible for the Spanish Cortes and the other institutions of the regime to seek renewal from within and thus sign their own death warrant. According to this thesis, a true democracy could only come about through a 'democratic break'; this must be based on the convening of a constitutional assembly, elected by all Spaniards under a provisional government as the guarantor of fair elections. Beyond that, the more extreme wing of the Opposition, the Democratic

[13] The most important are: *Comisiones Obreras* (Workers' Commissions) under predominantly Communist leadership; UGT, the trade unions of the Socialists (PSOE); USO (non-party); the three have joint forces in a Workers' Association (COS). In addition, there are regional workers' groups (KAS) in the Basque country.

[14] The Government hopes and seeks to unite the Centre parties in a larger alliance, which might be called *Partido Popular* (People's Party).

Co-ordination, has espoused the cause of the Catalan and Basque separatists who are demanding regional autonomy for themselves and all other regions who want it. But the more moderate groups and parties appear to recognize the need to meet the efforts towards reform of Suárez (backed by the King) and lend them their support.[15] There is talk of the possibility of negotiating with the Government about the various steps of the reform that would lead towards the planned elections and about the electoral law itself. However, such negotiations have not been started so far. The question of the recognition of the Communist Party is an important obstacle. So is that of the separatist movements—quite virulent in Catalonia and the Basque country—with which the Government is disinclined to talk, while the Opposition does not wish to give up its solidarity with them.[16]

Race for time

A year after Franco's death, the Suárez Government thus finds itself between two strong Opposition currents, both expressing disapproval of its reform programme: the Right and the extreme Right because it goes too far, the Democratic Centre and the Marxist Left because it does not go far enough and does not offer sufficient guarantees of fair elections.

Suárez stands more or less alone, but he leans on the King. The latter can count on the loyalty of the Army, so long as he remains within the limits prescribed by the Fundamental Laws.[17] The police occasionally support the extreme Right by closing an eye or even abetting its brutal acts in the Basque country and elsewhere.[18] In October the King dismissed Lieutenant-General de Santiago from his post as Vice-Premier for the Armed Forces and replaced him by General Gutierrez who is regarded as a liberal. When de Santiago and another rightist General, Iniesta Cano, protested publicly,[19] they were supposed to be removed

[15] This seems to be the thesis of Ruiz-Jiménez, the leader of the Catholic Left, which calls itself Democratic Left (Izquierda Democrática). He belongs to the Democratic Co-ordination, but his advocacy in mid-October of support for Suárez with a view to achieving democratic elections has estranged him from the other members.

[16] But tensions about the separatist issue exist also within the Democratic Co-ordination: the Communists and other left groups who have little hope of being legalized, advocate close co-operation and unity with all separatists who are in the same situation vis-à-vis the Government. In contrast, the Socialists and the Izquierda Democrática have a more cautious approach to collaboration with the separatists, believing that identification with their aims would make any understanding with the Government much more difficult.

[17] For the Army the King, like Franco before him, is above all the highest arbiter, which the military need if they are to avoid open dissensions in their ranks.

[18] See *Opinión* (Madrid). No. 2, 16–22 October 1976, pp. 8–12 for the reprisals of the extreme Right (which, to say the least, were close to the police) in San Sebastian after the murder of a government official, Araluce, by the ETA; also No. 3 of the same journal for Gerona.

[19] Iniesta Cano published an open letter, in which he praised his brother officer

by government decree; but soon afterwards the disciplinary order was described as an 'error' by the government and the two Generals remain on the active list.[20] Other outspoken rightist Generals continue to hold crucial posts,[21] and only their move to less important positions could create a climate in which the country's democratization could genuinely proceed without the constant risk of a coup.[22] However, such a transformation of the military atmosphere demands time. Moreover, time is also needed for Suárez's democratic reform plan because this leaves the main political decisions—on regional problems, trade unions, the Communist party, relations between Lower and Upper House, etc.—to the future Parliament which is to be elected in July 1977. Already it can be seen that the political uncertainty is having an unfavourable effect on Spain's economy.[23] The longer it lasts, the more this factor will acquire weight because it will in turn have an effect on the political situation in the sense of a radicalization and polarization.

However, the slow pace of democratization has one advantage in the military sphere: the Falangist officers of the Civil War era in top posts grow fewer every year. Moreover, since the nomination of General Gutierrez Mellado as Minister for the Armed Forces, the officers are hemmed in both from above and below by reformers. Below, amongst the captains and the majors, there is the presence of the UMD; above, there is now a General and Minister for the Armed Forces, who expressly stands for an army that is to be remoulded in the spirit of the reforms.

While the struggle for reform is being waged within the regime and the legislative machine has failed to get really under way because the

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for retiring, since he could no longer reconcile government service with his military oath. The allusion to the 'oath' is frequent on the extreme Right and serves a definite purpose (see fotnote 5).

[20] On 23 October, one month after his appointment as First Deputy Prime Minister, General Manuel Gutierrez Mellado said in the course of an interview with the news agency EFE in Madrid (published the following day in all Spanish newspapers) that an inquiry into the case of the two right-wing Generals was under way and that action would await its outcome. The statements of the new Minister for the Armed Forces were particularly important, however, because for the first time since the Civil War they stressed that the Spanish armed forces of the future would not serve one ideology but a pluralistic democratic state. The Falangist Right as much as the revolutionary Left were put in their place and by implication the General made clear that he would not tolerate attacks from the army's right wing against his person or his policies.

[21] Angel Campano, General and Commandant of the Guardia Civil, at present passes for the most prominent active officer of the extreme Right.

[22] This is also the conclusion of a very careful though anonymous study about the régime's secret services, published in *Le Monde Diplomatique* (June 1976) under the title 'L'appareil répressif de l'état franquiste reste intact', p. 23.

[23] Although Spain was late in feeling the effects of the depression, her economic difficulties are growing. Amidst the main problems are unemployment, balance-of-payments deficit, inflation, and loss of confidence expressed in the flight of capital. The latter affects Spanish entrepreneurs rather than foreign lenders who continue to invest. Observers agree that these difficulties are largely a result of the political uncertainty.

political issues have yet to be decided, Spanish society has used the wider margin of tolerance it has been granted in the expectation of the promised changes. There has been a new wave of newspapers no longer willing to be muzzled by the authorities (*Cambio 16*, *El País*, *Opinión*); parties have been openly active even though the most important amongst them have remained illegal; the UGT, USO, *Comisiones Obreras*, even CNT have acted with increasing frequency and even called political strikes. The Communist party, hitherto underground, has let its leaders out into the limelight. The employers have begun to leave the state-run *sindicatos* and to form their own free associations. The politicians of theoretically illegal parties have been received abroad by the political leaders of neighbouring countries. Exiles from the Civil War era have returned home, many to enthusiastic receptions. Legal and illegal street demonstrations have taken place, some with the open participation of Communist-directed 'neighbourhood associations'. The non-Castilian speaking regions, particularly Catalonia, have developed their own political life; their parties and politicians seem so absorbed in their own affairs and discussions that Madrid recedes and almost vanishes from their horizon. The Basques have started to agitate for the restoration of the *fueros*, their medieval rights which were abolished in the last century.

All these developments have gathered such momentum since Franco's death that it does not seem possible to stop them now, although the present laws afford the means to do so. Should some groups who really want a return to Franco's old regime now attempt to seize power, they would probably have to try to achieve this through the imposition of a terror regime bolstered by all kinds of repressive measures.

Britain and France: towards a stable relationship

NEVILLE WAITES

The visit of President Giscard d'Estaing to Britain from 22 to 25 June was the first state visit by a French President to this country since 1960. It generated inevitable speculation about a renewed Entente Cordiale among nostalgic newsmen, but this was quashed at the outset by the new British Prime Minister, James Callaghan, who preferred to discuss the venture in terms of a family reunion: he believed that Franco-British relations were already closer than for many years and that any quarrels could be settled within the family.[1] Arguably recent developments in Franco-British relations have contributed to the evolution of a more stable relationship than at any time in the past history of the two countries.

Normally, a family tends to consist of more than two members. Any assessment of the significance of the French President's visit to Britain should take into account Mr Callaghan's subsequent visit to West Germany on 30 June and that of President Giscard on 5 July in order to include Chancellor Schmidt in their discussions. Moreover, it would be a mistake to focus too narrowly on these triangular exchanges. During a visit to Hamburg in January, Mr Callaghan, speaking at that time as Foreign Secretary, rejected any idea, for example, of an inner political directorate within the European Community, preferring on the contrary a system of wide-ranging co-operation between various nation-states.[2] His concept, which has many useful connotations, relates to an extended family.

The experience of the 1970s

A new phase in Franco-British relations has emerged since 1970 following a period of tension and rivalry stemming from their contrasting experience in 1940. Among the underlying reasons for this change are that the two countries share complex characteristics as the greatest ex-colonial powers, involving residual relationships with most parts of the world, and common interests regarding the economic, political and military organization of Western Europe. But the timing of the change

[1] See André Fontaine, 'M. Callaghan, la France et l'Europe', *Le Monde*, 17 June 1976.

[2] See Peter Jenkins, 'Big Jim's big world', *The Guardian*, 4 February 1976.

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was heavily influenced by personality factors. So long as the French Constitution under the Fifth Republic permitted the existence of a presidential *domaine réservé* within which foreign policy decisions could be taken at the Elysée, often by-passing the Quai d'Orsay and the Hôtel Matignon, French foreign relations were exceptional in the degree to which they were influenced by personality factors. In spite of significant changes during the last year of de Gaulle's foreign policy, precipitated mainly by the events of May and the Czechoslovak crisis of August 1968,[3] real confidence in the possibility of movement away from deadlock in Franco-British relations did not take root until Pompidou became President in June 1969 and made public his personal inclination towards improving relations.[4] The process by which France accepted British entry into the EEC was nevertheless unpredictable and liable to break down at any time between 1970 and 1972. A successful outcome was determined above all by a meeting in Paris on 21 May 1971 between President Pompidou and the then British Prime Minister, Edward Heath, which helped to resolve the outstanding issues of British transition to Community preference in agriculture, the scale of their contributions to the Community budget and the adaptation of the position of sterling to Community needs. Much of this was on the level of a gentleman's agreement, but it was sufficient to enable Britain to sign the Treaty of Rome in January 1972.[5]

On the British side, one should not exaggerate the personal factor in foreign policy. Long-standing advocacy of British membership of the EEC by the Liberal party was followed by applications to the EEC by a Conservative government in 1961 and by a Labour government in 1967, thus creating an all-party policy. It is true that Edward Heath exercised considerable personal power as Prime Minister between 1970 and 1974, his meeting with Pompidou in May 1971 merely serving as one example. But there was a marked absence of change in his policy towards France and the EEC by British governments after 1974. Indeed, it has been argued convincingly that the lack of any real dispute in principle between the political parties, added to the consciousness of very limited freedom of manœuvre for British foreign policy as a whole, accounted for the degeneration of the 'great debate' on British membership of the EEC into a narrow concentration on the marginal profits and losses involved in hypothetical economic balance-sheets.[6] Moreover, the artificial concentration on the costs of British entry into the EEC continued to provide a

[3] See Guy de Carmoy, 'The last year of de Gaulle's foreign policy', *International Affairs*, July 1969.

[4] See text of Pompidou's first press conference as President, July 1969; also André Fontaine's obituary for Pompidou, *Le Monde*, 4 April 1974.

[5] See Uwe Kitzinger, *Diplomacy and Persuasion* (London: Thames & Hudson, 1973).

[6] See Françoise de la Serre, 'Le Débat européen en Grande-Bretagne', in J. Meyriat (ed.), *Conflit et coopération entre les états, 1971* (Paris: Colin, 1973).

convenient scenario after the return to power of Harold Wilson and a Labour government in February 1974. Renegotiation of the terms of entry served a dual purpose: to unite the labour movement in acceptance of the EEC and to reduce the costs of entry during the most serious financial and economic crisis on a world scale since the 1930s. There were tactical disputes between the parties about whether renegotiation was necessary in order to reduce the costs of entry, and about the constitutional legality of a referendum on the results of renegotiation. But the general consensus on principle underlying these disputes was reflected in the massive majority in favour of accepting the revised terms of entry in the referendum in June 1975.[7]

The tortuous process by which Britain joined the EEC and confirmed her membership over a period of five years was in marked contrast with the French approach to membership in the 1950s. But this reflected the vast difference in what was at stake for the two countries at the time of decision. Whereas France had several years of transitional experience that was provided by the Coal and Steel Community from 1951, and did not see the EEC as a substitute for her empire until long after signing the Treaty of Rome in 1957, the British were very conscious of having lost an empire and seeking a new role in the 1970s. For Britain to join the EEC involved taking an economic leap in the dark without any comparable experience on which to base estimates of the likely results. Renegotiation irritated and disappointed some French observers, including Michel Jobert who had been closely involved in the negotiations leading to British entry. He contrasted disparagingly Edward Heath, 'a man of the Rhine', with Harold Wilson, 'a man of the Scilly Isles'.[8] But this judgement took no account of the need for both kinds of man to be convinced before the British people would also have confidence in such a venture.

By the early 1970s France had gained considerable confidence in her bilateral relations with Britain, having overtaken her economically and become the fifth largest industrial power in the world. Britain had become a valuable market for industrial as well as agricultural produce from France. There was much less confidence in France, however, regarding the foreign and economic policies of West Germany, and it has been suggested that French leaders hoped that Britain might help contain the growth of West German power.[9] The suspicion in the 1960s that Britain

[7] See Françoise de la Serre, 'La Grande-Bretagne: oui à l'Europe', in *Etudes*, June 1975.

[8] See interview with Jobert, who in practice exercised overall control of French foreign policy from 1972 to 1974 during Pompidou's fatal illness, *The Economist*, 24 January 1976.

[9] Stanley Hoffmann, *Decline or Renewal?: France since the 1930s* (New York: Viking Press, 1974), pp. 309–10; the timing of de Gaulle's interview with Soames in 1969 and of Pompidou's meeting with Heath in 1971, when West Germany was extremely reluctant to change the value of the mark, is also used to support this case in Ian Davidson, *Britain and the Making of Europe* (London: Macdonald, 1971), pp. 125 ff.

owed allegiance principally to the United States had been allayed by the withdrawal of British armed forces from east of Suez, and, for a time at least, French sensitivity towards American influence was reduced as a result of more co-operative policies adopted by both Presidents Nixon and de Gaulle after 1968. Renewed friction arose in Franco-American relations in 1973, however, as a result of the world energy crisis caused by the Yom Kippur war in the Middle East. France wanted a common energy policy in the EEC, but the summit conference of the heads of EEC governments at Copenhagen on 14 and 15 December failed to produce such a policy; she continued to insist that any proposals should be made within the existing OECD framework but was confronted with American proposals for a more elliptical approach emanating from Kissinger's initiatives in search of a global solution to the energy problem. The French moved away from co-operation on several fronts, not only seeking bilateral agreements to secure oil supplies but also leaving the snake in January 1974, while the British Government under Edward Heath joined other EEC members in giving considerable support to American policy.[10] Friction arising from the Anglo-Saxon connection, therefore, was partly responsible for a deterioration in Franco-British relations even before the Labour Government of 1974 raised the question of renegotiation. It took Giscard d'Estaing several months after his election to the presidency in May 1974 to achieve a reconciliation between French and American policies, confirmed at the Rambouillet conference in November 1975, thus removing at least one irritant from Franco-British relations.

Relations were strained during 1975, however, by attempts to adjust national and EEC policies to cope with cumulative problems created by the world economic crisis. An adverse balance of payments motivated the British Government to seek EEC support for a minimum oil price in order to uphold the value of North Sea oil against the danger of a falling world market price. The Rome summit meeting of the EEC in December 1975 was divided over the question and was extremely reluctant to allow Britain to press her case by sending a separate delegate from the one representing other EEC members to the world conference on energy and economic co-operation held later that month in Paris. A formula was devised allowing for interpretations to suit all EEC members by referring to the need for 'various mechanisms' to safeguard energy investments and to protect alternative energy sources. The British interpreted this to include a support price for oil, while the French argued that a support price was merely not excluded.[11] Although the British delegate did call for a minimum oil price at the Paris conference, lack of agreement on this

[10] On their diverging attitudes, see Louis Turner, 'The Washington energy conference', *The World Today*, March 1974.

[11] See analyses in *The Guardian*, 3 and 10 December 1975. Also Louis Turner, 'The North–South dialogue', *The World Today*, March 1976.

issue among other delegates prevented British policy from achieving an material success.[11] The contrast between British and French policies o that occasion was most striking. While the British Government wa resolutely defending national interests, the French Government wa being European in accepting representation by an EEC delegate and eve globalist in waiving possible claims to chair the conference in Paris.[12] B early 1976, when the visit of President Giscard d'Estaing to Britain wa being planned, there were still numerous points of friction in Franco British relations; but closer and more frequent contacts through Britis membership of the EEC had created a deeper mutual understandin making it possible to treat disputes as temporary family quarrels.

Callaghan and the Giscardian Image

As the new President of the French Republic, elected in May 1974 fo a seven-year term of office, Giscard d'Estaing tried to develop a politic philosophy and to give France the sense of purpose deemed so essenti by General de Gaulle to hold together the fabric of French societ Having previously criticized de Gaulle for making the political syste too dependent on presidential authority, he aimed to integrate the pres dency more closely with the political system and to bring it closer to th people. Aware of the frustrated idealism that had surfaced briefly in 196 he set out to create an advanced liberal society that would generate valu transcending mere materialism. Finally, aware of the divisive imbalan of the world socio-economic system, he called for a new world economi order that would control mere market forces in an effort to resolve th North–South conflict in particular.[14]

As the new British Prime Minister, Mr Callaghan was very consciou at the time of Giscard's visit in June not only of his own political prob lems—a knife-edge parliamentary majority, devolution of power to th regions, maintaining the social contract, defending the value of th pound while trying to reduce inflation and unemployment—he was als conscious of Giscard's problems as a narrowly elected President, leadin a quarrelsome majority, meeting with widespread scepticism towards hi liberal reforms at a time when a 2 per cent fall in GNP in 1975 made suc reforms harder to afford, forced to withdraw from the 'snake' after le than a year in March 1976, above all facing the prospect of parliamentar elections in adverse conditions by March 1978 at the latest. Mr Callaghar who two years earlier had been openly sceptical of the value of the concep of European Union by 1980, was no doubt equally sceptical toward Giscardian concepts of an advanced liberal society and a new worl

[11] See analyses in *Le Monde*, 17, 18, 20 December 1975; also *The Guardia* 20 December.

[12] See *The Economist*, 8 November 1975.

[14] See Richard Wigg, 'France and the raw materials question', *The Worl Today*, December 1975.

economic order, particularly in view of current political and economic preoccupations. This was presumably why he tried to play down the importance of Giscard's visit in advance, telling the press that there was no need for a new Entente Cordiale, no need for a Franco–British treaty to match the 1963 Franco–German treaty, and no need to increase Franco–British contacts. He hoped merely that Giscard's visit would give a new dimension to such contacts. Evidently he was anxious to rule out any spectacular initiatives.[15]

For his part, Giscard d'Estaing made it clear that he was not satisfied with existing Franco-British contacts at the policy-making level, and that this would be one essential question he meant to raise during his visit, another being British views on the future of Europe. He emphasized his belief in the value of personal relations between heads of government which should not be based on party affiliations, which were divisive by nature.[16] Such an outlook was unlikely to strike a sympathetic chord with Mr Callaghan who had a closer political affinity with Chancellor Schmidt; aware of this, Giscard denied having the slightest objection to the close contacts between Britain and West Germany.

In the event, perhaps the most spectacular aspect of the French President's visit to Britain was that it terminated in Edinburgh, showing French awareness of the potential implications of devolution for the United Kingdom. Apart from that, Giscard secured agreement on regular annual meetings of French and British heads of government and corresponding meetings between other ministers, including those concerned with domestic as well as foreign affairs. In discussions of the question of direct elections to the European Parliament, scheduled for 1978, Mr Callaghan raised the problem of having a large enough body to represent 250 million people so that each part was represented fairly without constituencies so vast that representatives lost touch with voters. President Giscard had previously favoured a small European Parliament, but soon after his visit to Britain he accepted proposals for a larger body on the lines of British recommendations.

On general prospects of improved political co-operation within the EEC, the British accepted French thinking to the extent that Mr Callaghan spoke of the usefulness of having a political structure at some time in the future. There was general agreement to pursue possibilities of joint research and development projects and to encourage trade between the two countries, but there were understandable reservations about undertaking anything else on the scale of Concorde in the foreseeable

[15] See exclusive interview of Mr Callaghan in *Le Figaro*, 18 June 1976; the interviewer found Callaghan so unenthusiastic about possible initiatives arising from Giscard's visit that he widened the subject to include general world issues such as the SALT talks and the Helsinki agreement.

[16] See interview of President Giscard by Charles Hargrove in *The Times*, 19 June 1976.

future. Discussion on proposals for an EEC common fisheries policy was inconclusive, necessarily so because the EEC was only just beginning its examination of the problem of exploitation of the seas.[17] The essential discussions between the two heads of government took place at the beginning of the visit, at Buckingham Palace, where the French President was staying, during the afternoon of 22 June, and at 10 Downing Street on 23 June; the remainder of the visit was taken up with receptions and ceremonial occasions, the most important being an address by the French President to the combined Houses of Parliament, televised live, on 23 June.

New opportunities

Events after June tended to divert attention from the outcome of President Giscard's visit to Britain. In France, a change of government in August increased the extent to which the political system depended on the authority of the presidency, in spite of Giscard's avowed intentions two years earlier; issues such as tax reform, regionalization, and direct elections to the European Parliament had divided the presidential majority; increasing inflation and unemployment threatened to undermine financial and economic stability. In Britain, the crisis of sterling was greater than ever. Day to day financial requirements turned the attention of the British Government to the wealthiest sources of assistance, the United States and West Germany. There was criticism in France of the way successive British governments since 1968 had failed to take the opportunity to unload sterling obligations until the end of 1974 when dollar guarantees attracting investors in sterling were suspended, but perhaps too late.[18] Nevertheless, there was a considerable fund of sympathy in France towards British problems, above all due to a recognition that financial and economic interdependence required an effective international solution to these problems. After 1968 there had been a sharp awareness in France of the financial and economic constraints on the independence of a middle-size nation-state. If the pound collapsed, the lire and the franc would be next in the firing line.[19]

The new Minister for Foreign Affairs in the French Government formed last August, M. Louis de Guiringaud, apart from having interests and experience related mainly to the Third World, at an early stage of his career had close contacts with the British: during the Second World War he served the French Committee for National Liberation as *chef de cabinet* to René Massigli, and continued to work with him after the war at the French embassy in London.[20] In a radio interview on 25 October,

[17] See report in *Le Monde*, 24 June 1976.

[18] See editorial leader 'Un appel tardif', *Le Monde*, 27 October 1976.

[19] See Hoffmann, *op. cit.* pp. 430–3 for analysis of the limited power of middle-size nation-states such as France; for a sympathetic reaction to the plight of the pound see Jean-Marie Daillet, *Le Monde*, 27 October 1976, p. 37.

[20] See pen-portrait of M. de Guiringaud in *Le Monde*, 29–30 August 1976.

M. de Guiringaud referred to the harmful effects of the falling pound on the EEC, and in anticipation of the forthcoming visit of Mr Callaghan to Paris, under the agreement on regular contacts made in June, he said that it was not customary for some members of the EEC to allow other members to fall and that there would certainly be common action within the EEC regarding monetary problems.[21]

In 1976 there was a growing recognition of Franco-British common interests. They were important trading partners. They shared projects, particularly in the aerospatial field. There were common interests, too, in the defence field within the Western Alliance, particularly since France agreed to join a new Independent Programme Group formed in December 1975 to co-ordinate European policy on armaments. But there were also basic differences of interest, such as the British preference for high oil prices which contrasted with France's efforts to balance her payments by reducing the costs of oil imports. However, President Giscard d'Estaing had rejected economic nationalism, which had resulted in disaster in the 1930s, at the Rambouillet conference in November 1975.[22] At the time of his visit to Britain he spoke of French and British experience providing foundations for more advanced forms of social and economic organization, expressing the hope that they might pool their experience for the benefit of others.[23]

Largely because of the world economic crisis, which among other effects has transformed the finances of the EEC beyond all expectations, there has been an appreciation of shared problems and interests in 1976 that has laid the basis for a more stable relationship between Britain and France.

[21] See report on the radio interview in *Le Monde*, 27 October 1976. This article was written before the visit of Mr Callaghan and several other British ministers to France on 11 and 12 November, in accordance with the agreement in June. The discussions, described by Callaghan as 'intimate', confirmed awareness on both sides of opportunities for co-operation on the problem of sterling balances and in leading sectors of industry. See reports in *The Times*, 13 November, and *Le Monde*, 14–15 November.

[22] See Giscard's view of the Rambouillet conference in *Le Monde*, 30 November 1975.

[23] Interview with Charles Hargrove, *loc. cit.*

The EEC after Tindemans: the institutional balance

E. MOXON BROWNE

There is no use in moulding Europe's institutions towards distant and perhaps unattainable aspirations—they should reflect current purposes, including national concerns.

'IT would be argument for a week, laughter for a month, and a good jest for ever.' Lest this become the epitaph of the Tindemans Report on European Union, further discussion on that Report needs to be fostered. As a contribution to such discussion, this article examines some of the issues raised in the Report's final chapter, entitled 'Strengthening the institutions'. What kind of institutions does the European Community need today? Here we will argue that the institutions should reflect current purposes, not future aspirations. It is clear that political realities in the EEC have changed drastically since 1958. Much of what was originally envisaged has now been achieved: the customs union; the evolution of a common commercial policy; the Common Agricultural Policy; a Regional Development Fund; the Lomé Convention; the mobility of labour established in principle; and the admission of new members. Consequently, expectations are now more modest. Paradoxically, perhaps, the success of the EEC has resulted in a reassertion of national self-confidence: thus the ultimate goal of political union has been indefinitely postponed. In the context of the present discussion, therefore, two major questions need to be answered. What are the purposes of the EEC today? What type of institutions would best serve those purposes?

The purposes of the EEC

The term 'European Union' which was used, but not defined, in the communiqué of the Paris Summit (1972), cloaked two contradictory aspirations in the EEC: on the one hand, the familiar notion of a *Europe des patries*, principally, but not exclusively, cherished by the French Government; and on the other hand, a federalist strand of thought, manifesting itself in many versions, but broadly envisaging a unified political system in Europe with sovereignty shared between national and supranational institutions under a common constitution. By inviting the Belgian Prime Minister, Mr Tindemans, to define 'European Union', the Governments were asking him to resolve an ambiguity which had enabled

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maximalist and minimalist interpretations of European integration to be fellow-travellers for more than 20 years. In the event, however, Tindemans merely attributes a number of characteristics to 'European Union' and combines these in a key statement: 'The different facets of European Union described above are closely connected. The development of the Union's external relations cannot occur without a parallel development of common policies internally.'[1] This prescription is both modest and realistic. It resolves the ambiguity for the time being and succeeds in neither prejudging the eventual shape of the Union nor the time-scale for its completion.

Such a tentative assessment of integration in the EEC compels us to ask what, if any, impulses in the Community make further integration either likely or desirable. What is abundantly clear is that the economic success of the EEC has not necessarily increased the premium on political integration. On the contrary, and despite the expectations of neofunctionalism,[2] economic integration has stiffened the resistance to political integration. Economic prosperity has been seen in largely national terms: the motivation behind integration thus becomes specifically national aspirations. Since, presumably, the 'founding fathers' established the EEC to transcend national loyalties, the success it has had in reviving national *esprit de corps* is more than slightly ironic.

Moreover, two factors which were crucial for the early success of European integration have been transformed by that success. In the post-war period, the United States has supported the EEC's 'grand design' even when, as became increasingly apparent, some manifestations of this 'grand design' conflicted with the broader purposes of the United States itself. Today, the external trade policy of the EEC, to take one example, poses awkward dilemmas for the United States in its own external trade. The other factor which has undergone change is the support of West Germany for European integration.[3] Inside the EEC, the former tacit assumption that docile 'Europeanism' was the passport to acceptability in the comity of nations, has given way to a realization that 'he who pays the piper can call the tune'. The tune is still distinctly European but budgetary sacrifices are no longer automatic. Outside the EEC, the development of the *Ostpolitik* has set the tempo for East–West relations in Europe and, subsequently, the 'external threat' factor of the USSR has declined in importance as far as European unity is concerned.

At this point, it is worth saying something about the expectations of the

[1] Leo Tindemans, *Report on European Union*, Bulletin of the European Communities, Supplement 1/76, p. 13.

[2] For examples, however, of where discontinuity between economic and political integration was envisaged by neofunctionalists, see R. J. Harrison, *Europe in Question* (London: Allen & Unwin, 1974), pp. 193ff.

[3] See Michael Leigh, 'Germany's Changing Role in the EEC', *The World Today*, December 1975.

three Governments which took their countries into the EEC in 1973. If it is true that a distinction can be made between legal sovereignty and actual sovereignty (i.e. the capacity to act independently), and if it is true that there has been a steady decline in the latter while the former has remained static (or even been augmented by state control of the economy), then it seems clear that the discrepancy between the two types of sovereignty is being remedied by the 'pooling' of one (the legal) at the supra-national level so that the other (the actual) may be preserved. The new member-states, aware that decisions would be taken on their doorsteps, as it were, with consequences by which they could not remain unaffected, decided that it was better to have a voice, however small, in the decision-making process. Thus the Irish Government, in its White Paper advocating EEC membership, put the matter succinctly: 'The powers which, by becoming a member of the Communities, we should agree to share with the other member-states would in fact be enhanced rather than diminished by the co-operation involved.'[4]

For these reasons, then, pressure for further integration within the EEC is likely to be restricted to sectors that yield a clear and definable national advantage. This pressure, however, is likely to arise from two different sets of problems. On the one hand, there are issues which intrinsically require to be tackled on an international basis because they defy control from any single nation-state. Among such problems are the pollution of air and water; the control of multinational companies; the free movement of labour. On the other hand, there are problems of allocating resources and here, almost by definition, the pressures will be unevenly exerted throughout the Community, e.g. regional aid, the CAP and external trade relations. Obviously these two sets of issues are relatively rather than absolutely distinct; and in both cases the pressures for tackling the issues supra-nationally (or internationally) will be particularly acute in Western Europe. Here, perhaps more than anywhere else in the world, are uniquely combined both a high level of economic development, and a high incidence of national frontiers. The contrast between the economic logic of large-scale production and the existence of archaic national boundaries is especially stark in the EEC. Moreover, as the benefits of tariff removal are achieved, so the logic of 'spillover' impels one towards removing other obstacles to trade, e.g. fiscal anomalies, technical specifications and the costs of transport.[5]

If this is an accurate picture of the impulses behind integration, it seems likely that integration itself will be characterized by at least three distinctive features. Firstly, as we have seen, the process towards greater unification is likely to be both haphazard and fragmented. There will be

[4] *The Accession of Ireland to the European Communities* (Dublin: The Stationery Office, 1972), p. 60.

[5] C. Saunders, *From Free Trade to Integration in Western Europe?* (London: Chatham House/PEP, 1975), pp. 46ff.

a tendency for some countries within the EEC to desire deeper integration among themselves than the EEC as a whole is willing to countenance. This is true, for example, of the Benelux group and of the UK and Eire. On the other hand, there will also be a tendency for some integrative enterprises (e.g. the 'snake') not only to exclude some member-states but also to include some 'outsiders'—thus the exclusivity of EEC membership becomes diluted. Secondly, the typical method of intra-EEC negotiation will continue to be bargaining of a vigorous kind. The asymetrical pattern of various national priorities results in bargains being struck. These are rarely explicit but the *quid pro quo* is always understood. A concession made in one round of negotiations will be recompensed by a concession given in the next. The scope for bargains in the future is wide. On fisheries policy, on energy, on the environment and on regional development, there will be keen negotiation among the members of the EEC, although the new entrants may often find themselves united against the 'old' Six; but not too often since there are a sufficient number of cross-cutting issues to ensure that no 'blocs' form in the Community. Thirdly, in certain clearly defined areas, control will be handed, as heretofore, to the Commission. This 'pooling' of legal sovereignty has two immediate results for the nation-states themselves. National parliaments find themselves weaker vis-à-vis their own executives since EEC legislation, by definition, falls outside the former's competence. Secondly, however, legal powers accruing to the Commission cannot always be effectively exercised, and a gap opens up between the respective competences of Community and national decision-making.[6]

What institutions are needed?

The answer to this question follows from our foregoing observations. However, before we turn specifically to the Tindemans proposals for institutional reform, some preliminary remarks should be made in the light of what has been said so far. In the first place, there seems to be a strong case for simplifying the whole institutional structure of the EEC. Secondly, and consequently, there is an equally strong case for reducing the lines of responsibility and consultation between the various institutions. Thirdly, the institutions need to be geared to the purposes of the EEC today so that, instead of masquerading as an embryonic federal state, they should constitute an efficient structure within which the nation-states can bargain for their mutual advantage. However, this does not in any way prejudice the future development of the EEC. If the mood should change in favour of ambitious federal initiatives, the institutions could easily adapt themselves to the changing situation. The lesson of

[6] See D. Coombes, 'Concertation in the Nation-State and in the European Community' in G. Ionescu (ed.) *Between Sovereignty and Integration* (London: Croom Helm, 1974), p. 99.

history is surely that the changing political climate is reflected in the changing deference accorded to particular institutions, not that institutions themselves alter the political climate.

The current reality is that the citizens of the EEC are living under two distinct but complementary decision-making structures: the nation-state and the EEC. Some of the difficulty facing Tindemans stems from the sharp theoretical distinction between Community and non-Community matters; and the problems of maintaining this distinction in practice in the bargaining between Governments. The distinction should be maintained, but there is obviously a case for amending the Treaty of Rome to take note of the new areas of discourse which lend themselves to treatment within the Community framework. Amending the Treaty need not be the ***bête noire*** which it is often reckoned to be. Indeed, those who are most opposed to the idea could be placated with some thoughtful omissions from the Treaty while, in exchange, some extra articles were slipped in. An amended Treaty could give the Commission added powers of initiative in certain fields; and this would relieve the burden on purely inter-governmental diplomacy which currently duplicates the regular Community channels.

Turning now to the Tindemans Report itself, it is possible to see ways in which it could be used to mobilize the institutions along more productive paths. Taking first the European Parliament, one has to acknowledge that direct elections will not only render that institution more 'legitimate' in the eyes of the public but they will help it to reflect more accurately the duality of the whole system, based as it is on both 'Community' and 'national' inputs. It has become almost a truism to add that direct elections need to be balanced by additional powers for the Parliament. At the present time, the Parliament seems to have set its sights exclusively on direct elections since they have an important propagandistic quality with the Community's grass-roots. Without detracting from the value of direct elections, one might question the wisdom of sacrificing (for the time being) added powers in order to achieve these elections. The Council may argue that direct elections are in themselves a great concession; and this will provide a plausible pretext for denying further concessions for a considerable time. This would be regrettable since Parliament's efforts ought to be directed towards augmenting its power within the Community decision-making structure so that the 'European electorate', once mobilized, will not feel too disillusioned when it finds that it has voted for a virtually powerless Assembly. Indeed, unless the Council can bring itself to grant further powers to the Parliament, along the lines of the Vedel Report for example,[7] it seems pointless for Parlia-

[7] Report of the Working Party examining the Problem of the Enlargement of the Powers of the European Parliament (Vedel Report); Supplement 4/72—Bull. EC.

ment to jump at the bone being thrown to it by Tindemans, namely the proposal that Parliament should have the right to 'initiate' legislation.[8] Parliament should be wary of this piece of appeasement for at least three reasons. Firstly, at a time when the machinery of the EEC is already too cumbersome for efficient decision-making, it seems foolish to add another source whence legislative proposals can emanate. Secondly, the proposal is based on an outdated assumption that Parliaments initiate legislation. They do not: they discuss and amend legislative proposals originating in the Executive. Thirdly, the remedy being proposed is aimed at a malady which does not exist. The problem in the EEC is not a lack of legislative proposals but a lack of legislation. The fault lies neither with the Commission nor with the Parliament but squarely with the Council. There is no point in increasing the number of legislative proposals when so few are implemented.

It is probably not surprising that the relatively new phenomenon, known as the European Council, should find favour in the Tindemans Report. While, on the one hand, we can hardly disagree that a political thrust is sometimes necessary and desirable to push the EEC towards new goals, one cannot help wondering whether there are inherent dangers in such an approach. There is a risk that the EEC will become increasingly intergovernmental in character and less supra-national; and this poses a threat to the smaller members of the EEC. Moreover, any tilt in emphasis towards a non-Treaty body can result only in a relative demotion of Community institutions, especially the Council of Ministers and the Commission. These risks might be worth taking if the European Council could point to a record of bold and brilliant initiatives. But the European Council, held in April 1976, can hardly be said to have given a rapturous welcome to either the Tindemans Report or the prospect of direct elections in 1978: and it is difficult to see why the decision on direct elections, taken by the European Council in July, could not have been taken in the Council of Ministers which, after all, derives its authority from the Governments it represents. To prevent a proliferation of institutions, it would seem more sensible formally to absorb European Councils into the Council of Ministers framework or, alternatively, to label all Council meetings as 'European Councils' but with a parenthetical suffix to indicate the personnel involved e.g. European Council (Agriculture) or European Council (Heads of State). This amalgamation would be facilitated by amending the Rome Treaty so that mild doses of 'political co-operation' could be administered under the aegis of the EEC.[9] This proposal would encompass, moreover, the suggestion by Tindemans that 'political co-operation' meetings of the Council should no longer be kept separate from regular Council meetings. Two other suggestions in the Tindemans Report seem eminently appropriate. The

[8] *Tindemans Report*, *loc. cit.*, p. 29. [9] *ibid.*, p. 15.

one-year Presidency would enhance its evolving significance; and the delegation of more authority to the Commission via Article 155 and via the Committee of Permanent Representatives (Coreper)[10] is both logical and long overdue.

However, the corollary of these latter proposals is a contradictory one. Whereas the one-year Presidency[11] of the Council seems almost certain to perpetuate the eclipse of the Commission, especially in external negotiations, the idea of making more use of Article 155 and Coreper is expressly designed to restore the Commission's pre-eminence. The proposal that the Council should appoint the Commission's President and then, jointly, they should select the other Commissioners[12] would do little to guarantee the Commission's independence. To emphasize both the 'European' character of the Commission and its independence, Parliament could be given a voice in its selection. If, for example, national governments put forward several candidates for each vacancy in the Commission, the Parliament could be given the task of selecting one by the same method it uses to elect its own President. This method would tie the Commission more directly to the Parliament; and it would (after 1978) indirectly involve the peoples of the Community in the selection of the Commission.

The Court of Justice requires the least comment since, as the Tindemans Report tacitly acknowledges, it has been the most 'European' of the Community institutions; and its workings require the least changes. However, in its own submission to Tindemans, and in the Commission's recommendations, a number of useful suggestions were made. Firstly, the idea that the Court of Justice should become the Supreme Court for the whole Community is certainly attractive but probably premature since it presupposes a 'seamless web' of law covering the whole Community. Secondly, the suggestion that national courts should be bound to refer cases under Article 177 has much to commend it since it would alert national judges to the 'European dimension' in law and helps to demarcate the rather blurred boundary between national and Community legislation. The role of the Court of Justice is, in general terms, a reflection of all that has been said. If the European citizen lives under two legal competences ('national' and 'EEC'), it is the Court which defines the distinctions between the two. Like the US Supreme Court, the Court of Justice is politically 'sensitized' and can set appropriate precedents, neither too mild nor too outrageous, on which future extensions of Community jurisdiction can be based. Any amendments to the Treaty would affect the Court directly. One of its tasks would be to ensure that amendments accorded with the spirit of the whole Treaty.

[10] For a discussion of Coreper's role, see Roland Bieber and Michael Palmer, 'Power at the top—the EC Council in theory and practice', *The World Today*, August 1975, pp. 312–14.

[11] *Tindemans Report, loc. cit.*, p. 31.   [12] *ibid.*

Its other task would be to use the amendments as 'stepping-stones' towards new areas of competence.

There were obvious merits in asking someone from a small country, and someone involved in the decision-making process, to draw up this Report. However, the danger that Tindemans (as a Prime Minister) might overvalue the European Council has not been entirely avoided. Indeed, the many contradictions in the Report stem not only from the various national perspectives which had to be accounted for, but also from the personal federalist inclinations of Tindemans conflicting awkwardly with his public *persona* as member of a national Government. Neither his private aspirations nor his public duty find full expression.

It is hoped that what has been said here may add something to the debate on the Tindemans Report. It will, at least, have shown that a debate is necessary. We began by asserting that institutions should reflect the purposes behind them. We then suggested that a pragmatic incremental approach characterizes the process of European integration today.[13] The EEC institutions need, therefore, to be tailored to the business of bargaining—not crude haggling between selfish interests—but a constructive colloquy with the Commission, and especially Coreper, trying to resolve differences at the highest level by means of various 'packages' in which losses sustained in one sector are recompensed in another. The role of Coreper in this process is critical since the relative lack of publicity attending its deliberations enables the mechanisms of *engrenage* between the national and Community viewpoints to operate more effectively. To say all this is not to prejudice the future. It simply means that until the goal of political union is universally desired, there is no use in moulding the institutions towards distant and uncertain visions which may never come to fruition. On the contrary, the balance between expectations and outcomes will be better maintained if the institutions are trimmed for efficiency in circumstances which (let us admit it) demand consideration of divergent national objectives, and make anything more than a cautious excursion into deeper integration fraught with peril. We are on a 'journey to an unknown destination'. Instead of guessing where we might be going, time would be better spent in making the present stage of the journey as comfortable and as beneficial as we can. Given the 'enlargement' of the EEC (which is likely to be repeated) and the great web of trade agreements (which is likely to proliferate), it is difficult to imagine that the EEC is going to be the *exclusive* vehicle for further integration in the near future.

[13] This 'incremental' approach seems to find favour with the British Government: see Stanley Henig, 'Europe After the Referendum', *International Affairs*, October 1975, pp. 492–3.

The Soviet Union and the non-aligned

F. STEPHEN LARRABEE

The Colombo conference of non-aligned countries reflected the mixture of political opportunities and potential headaches linked to Soviet policies towards the developing world.

FROM its inception at Bandung in 1955 the non-aligned movement has been marked by contradictions and schisms. Many of its original members such as North Vietnam and the People's Republic of China on the one hand, and Ceylon and Iraq (both then strongly pro-West) on the other, were hardly non-aligned. These contradictions and schisms have, if anything, increased with the expansion of the movement's membership over the last 20 odd years. This was particularly evident at the fifth summit conference of non-aligned countries, held in Colombo, the capital of Sri Lanka (formerly Ceylon) from 16 to 19 August. Attended by 84 countries plus the Palestine Liberation Organisation (PLO), the conference spent much of its time in acrimonious debate over regional political problems such as the dispute between Algeria and Morocco over the Sahara.

Yet, while the conference did more to underscore the pressing problems facing many Third World nations than it did to solve them, it none the less once again provided an illustration of an important change in international relations in recent years: the increasingly vocal role of the Third World and, particularly, the degree to which international relations are being shaped by economic, energy, food and raw material considerations rather than purely military–political factors. While the East–West conflict has by no means been eliminated, it has been increasingly challenged in importance by the North–South controversy—i.e., the conflict between the industrialized and developing nations over the distribution of the world's resources.[1] This shift has in part reinforced, and in part been the result of, a transformation of political values in recent years. 'Global politics,' Zbigniew Brzezinski has observed, 'are becoming egalitarian rather than libertarian'[2] and the calls at Colombo for a 'new international economic order' were symptomatic of this change.

[1] See Jahangir Amuzegar, 'The North–South Dialogue: From Conflict to Compromise', *Foreign Affairs*, April 1976.
[2] See his article, 'America in a Hostile World', *Foreign Policy*, Summer 1976, p. 65.

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While a number of factors have contributed to this transformation, it is clear, in retrospect, that the overriding factor was the 1973 oil embargo.[3] As a result of the embargo, the relationship between the Arab states of the Middle East and the Persian Gulf on the one hand, and the industrialized countries of the OECD on the other, was dramatically altered almost overnight. Although initially the embargo intensified the difficulties of many of the poorer Third World countries by creating shortages and by increasing balance-of-payments deficits, its overall impact was to forge a new sense of solidarity and power among the countries of the Third World and give them an important psychological lift. These countries have—with some success—become increasingly vocal in the international arena and in their attempts to redefine 'the rules of the game'.

For the Soviet Union, which has long sought to portray itself as the sole true friend of the developing nations, this growing sense of solidarity and self-confidence within the Third World has been a two-edged sword. On the one hand, Moscow has greeted this new assertiveness vis-à-vis the industrialized countries of the West with unabashed enthusiasm, seeing in it new opportunities to exploit the increasing anti-Western sentiment within the Third World for its own purposes. On the other hand, the Soviet Union has begun to find that this new assertiveness and solidarity within the developing world does not always work to its advantage, and that in some cases, in fact, it may even work against its interests. To better appreciate the reasons for this conflicting duality, it may be helpful to take a brief look at Soviet policy towards the Third World in recent years.

Changing Soviet perspectives

Overall, Moscow's policy towards the Third World has been characterized by a mixture of temporary political gains, unexpected reversals, agonizing frustrations and outright failures. Initially, the USSR showed little interest in the Third World, and it was slow to recognize the potential of Third World nationalism for furthering its foreign policy goals. Stalin tended to regard developing countries as mere puppets of the West and as incapable of playing an independent role in international politics.[4] Soviet policy underwent a revision under Khrushchev, who came to see in the Third World a 'zone of peace' that might serve as a useful ally in weakening Western power. After the Bandung Conference of non-aligned countries in 1955 Moscow began to take a more active interest in the Third World in an effort to exploit local nationalism, par-

[3] For a thorough discussion of the impact of the oil crisis on international politics, see the various selections in 'The Oil Crisis: In Perspective', *Daedalus*, Fall 1975.

[4] On Stalin's attitude towards the Third World, see Roger Kanet, 'Soviet Attitudes Toward Developing Nations Since Stalin', in Roger Kanet (ed.), *The Soviet Union and the Developing Nations* (Baltimore: The Johns Hopkins University Press, 1974), pp. 27–50.

ticularly its anti-colonial and anti-Western edge, so as to reduce Western influence, particularly in Africa. Its policy in this period was marked by an exaggerated optimism regarding the prospect that Third World countries could be mobilized in support of Soviet foreign policy and a belief that with large amounts of aid the self-proclaimed Socialist countries of the Third World could be nudged towards the establishment of a more scientific form of 'socialism' along Soviet and East European lines.

Such hopes proved both unrealistic and costly. They were based, as Roger Kanet has aptly put it, on 'a minimum of factual knowledge and a large amount of Marxist theory'[5]—most of which was inapplicable to Third World conditions. While Moscow did for a brief period make some inroads in countries like Mali and Ghana, it soon discovered that the mouthing of revolutionary Marxist rhetoric was no assurance that Third World leaders would proceed to establish Moscow-style scientific socialism. Many Third World leaders proved more impulsive and less susceptible to outside advice than Moscow had anticipated. In addition, many developing nations simply lacked the infrastructure needed to make effective use of the large amounts of aid that the Soviet Union poured into them. As a result, much of the aid was squandered, and Moscow found it difficult to transform its economic assistance into political influence.

This situation served to temper Soviet optimism about the political development of the Third World and led to a shift in Soviet policy towards the area. Soviet interest in the Third World did not cease, but its policy became far more selective and differentiated. Moscow's concern began to focus less on the nature of a given regime—especially in Africa—and more on a country's strategic importance and local conditions.[6] In essence, Soviet policy became more flexible and pragmatic. While ideology continues to play a role in Soviet perceptions of the Third World, it has become less of an operating principle of actual policy. In the Third World in recent years 'shrewd optimism', as Alvin Rubenstein has pointed out, 'rather than ideology, has been the motivating force behind Soviet behaviour.'[7]

A brief look at Soviet aid strategy in the Third World amply illustrates this point. In the initial years of its growing involvement in the Third World—roughly until the early 1960s—the Soviet Union tended to pour a great deal of its aid into projects in the public sector in many developing countries. In recent years, however, Moscow has begun to put greater

[5] *ibid.*, p. 32.

[6] On the shift in Soviet policy towards Africa in the 1960s, see in particular Robert Legvold, *Soviet Policy in West Africa* (Cambridge, Mass.: Harvard University Press, 1970).

[7] Alvin Rubenstein, 'Soviet Policy Toward the Third World in the 1970s', *Orbis*, Spring 1971, p. 110. See also Roger Kanet, 'The Soviet Union and the developing countries: policy or policies?', *The World Today*, August 1975.

emphasis on economic criteria and has abandoned the idea that a few large projects in the public sector will automatically induce prosperity and propel a country along the road to establishing 'scientific' socialism on the Soviet and East European model. Instead, political and strategic criteria have become the main determinants of who gets aid—and how much. For instance, since 1954 about 70 per cent of Soviet aid has gone to six countries, 40 per cent of it to India and Egypt alone.[8] Perhaps even more revealing is the fact that in 1975 more than half of Soviet aid went to one country, Turkey—an indication of the importance that Moscow attaches to the strategic position occupied by Turkey in the Eastern Mediterranean area. Overall, the poorest countries—those who at the same time are often the most politically impotent—have not fared particularly well under Soviet aid programmes.

In general, Moscow has sought to use its aid for three purposes: (i) to woo important neutral countries like India into an increasingly pro-Soviet position; (ii) to entice strategically located, pro-West developing nations such as Turkey and Iran into loosening their ties with the West, particularly the United States; and (iii) in some cases, to ensure that certain neutral countries (such as Indonesia) maintain their non-aligned status and do not gravitate towards the West.

For many years the Soviet Union took a rather reserved stand towards the non-aligned movement, and particularly Yugoslavia's role in it. However, in order to head off any incipient conflict that would pit the developed world—including the Soviet Union—and the developing countries against each other and that would detract from the political nature of the struggle, the Soviet Union has recently begun to see the non-aligned movement as 'natural allies' and to stress the 'positive role' the movement plays in international relations.[9] The document issued at the Pan-European Conference of Communist Parties in Berlin last June, for instance, termed the non-aligned movement 'one of the most important factors in world politics.'[10] In particular, Moscow has sought to exploit the movement's increasingly 'anti-imperialist' orientation and has emphasized the closeness of the positions adopted by many non-aligned countries to its own—an assertion that has drawn heavy fire from the Yugoslavs who have publicly rebuked Moscow and its East European allies for attempting 'to align the non-aligned'.[11]

[8] Leo Tansky, 'Soviet Foreign Aid: Scope, Direction, and Trends', in *Soviet Economic Prospects for the Seventies*, Washington, DC, US Government Printing Office, 1973, p. 766.

[9] See in particular M. Kapasov, 'Vazhniyi faktor mezhdunarodnykh otnoshenii', *Pravda*, 12 August 1976, and V. Sofinski, 'Nakanune konferentsii v Kolombo' *Novoe vremya*, No. 32, 6 August 1976, p. 18.

[10] *Tass*, 30 June 1976. See also B. Ponomarev, 'Mezhdunarodnoe znachenie Berlinskoi konferentsii', *Kommunist*, July 1976. V. Zagladin, 'Vydayushchiisya vklad v delo mira i progressa', *Mirovaya ekonomika i mezhdunarodnoe otnosheniya*, August 1976.

[11] *Borba*, 17 August 1976.

Colombo conference: balance sheet

The summit conference of non-aligned countries in Colombo and Moscow's policy towards it amply reflect the mixture of political opportunities and potential headaches that has characterized Soviet policy towards the developing world as a whole over the last several decades. On the one hand, Moscow can only have been encouraged by the general anti-Western mood at Colombo—though the conference did not condemn the United States outright, as Moscow would have liked. On the other hand, the Soviet Union was bound to look with some ambivalence at the calls for a 'new economic order'—one of the major themes at the conference—because the calls contained the seeds of potential problems for Moscow. In particular, they raise the question—at least indirectly—of what role the Soviet Union is to play in this 'new economic order' and, most important, of the degree to which the Soviet Union, an industrialized country, can, and should, be expected to contribute to sharing the financial burden of helping the developing nations overcome their immense problems. While to date the Soviet Union has categorically refused to accept any responsibility for the plight of the developing nations, arguing that their problems are the results of colonialism and thus solely the responsibility of the Western nations,[12] the calls at Colombo for a 'new economic order' and greater 'burden-sharing' on the part of the industrialized nations are bound to increase the pressure on the Soviet Union to make a greater contribution to solving the problems of the developing countries on a *non-political basis.*[13] At a time of mounting economic difficulties at home and of increased indebtedness to the West, however, such calls for greater burden-sharing seem destined to be unwelcome to Moscow and could even prove to be embarrassing.

Neither can Moscow have been particularly pleased by Rumania's persistent efforts, with Yugoslav backing, to obtain observer status at Colombo. While in the end Rumania's request was turned down—largely because of opposition from India, with Soviet prodding[14]—and while Bucharest had to settle for 'guest' status, this is not likely to end Rumania's efforts to expand her autonomy in foreign policy by seeking support in the Third World. Over the last several years Ceaucescu has visited over 30 non-aligned countries in an attempt to strengthen ties with the developing nations of Asia, Africa and Latin America. More-

[12] Sofinski, *op. cit.*, p. 20.

[13] For a detailed discussion of Moscow's attitude towards the question of burden-sharing and the new international economic order, see Jean-Marie Dubouays, 'L'URSS Devant le Débat sur le Nouvel Ordre Économique International', *Défense Nationale*, April 1976, and Immo Stabreit, 'Der Nord-Sued Dialog und der Osten', *Europa Archiv*, 14/1976.

[14] India's opposition seems to have stemmed mainly from fears that acceptance of Rumania's bid would set a precedent for the entry of Pakistan, but a secondary factor appears to have been heavy Soviet pressure and India's concern for her relations with Moscow. See Hella Pick, *The Guardian*, 19 July 1976.

over, Rumania has recently begun to give these efforts doctrinal underpinning, arguing that she should be accepted into the ranks of the non-aligned because 'by her foreign policy actions Rumania in fact supports the fundamental goals for which the non-aligned movement campaigns' and because 'Rumania encounters many of the general economic and political questions that are of concern to developing countries either at present or in the long run.'[15] Thus, though her bid to gain non-aligned status has been temporarily rebuffed, Rumania seems likely to intensify her lobbying towards this end in the future. From Moscow's perspective, this is a disconcerting prospect. Should Rumania's efforts succeed, it would not only increase the scope of Rumania's independence in foreign policy but would also set an ominous precedent that might encourage other states in Eastern Europe to attempt the same ploy at a later date.

Another discordant note at Colombo from Moscow's point of view was the concern, expressed in the conference's Political Document, that the Indian Ocean might become a seat of great-power rivalry—a theme enounced in the opening address to the conference by Mrs Sirimavo Bandaranaike, Prime Minister of Sri Lanka, who stressed: 'We must demand that the great powers, which have no littoral interests, withdraw their navies and military presence from the Indian Ocean region.'[16] Even though the conference document does specifically mention the US base at Diego Garcia, it generally makes little distinction between the US and the Soviet Union as great powers—a source of no little chagrin to Moscow. In essence, this approach is tantamount to accepting the Chinese thesis that 'imperialism is imperialism, whether it is capitalist imperialism or social imperialism under a socialist signboard,[17] and it was attacked by Moscow as an attempt to 'sidetrack the conference with the false thesis about "the hegemonism of the super-powers".'[18]

Effects of Sino-Soviet split

Moscow's main concern, in fact, is less with the United States than with the People's Republic of China. The deepening of the Sino-Soviet split has led in recent years to an intense competition between the two Communist giants to win friends and gain influence among Third World nations. China has sought—with some success—to portray the Soviet Union as a white European power with little genuine interest in, and even less understanding of, the problems of developing nations. In the Chinese view, Moscow's goals are entirely self-serving. Economically, according to Peking, Moscow seeks to squeeze profits from the non-aligned countries 'through subversion, intervention, control, and exploitation,' while politically it wants 'to bind' them 'hand and foot'.[19]

[15] *Agerpress*, 12 August 1976.
[16] *International Herald Tribune*, 17 August 1976.
[17] *Hsinhua*, in English, 6 August 1976. [18] *Pravda*, 19 August 1976.
[19] *Hsinhua*, in English, 6 August 1976.

Moscow's ultimate aim is to establish 'a colonial rule of the new Tsars'. Peking has sought to convince the developing nations that the Soviet Union is a far more dangerous and insidious enemy than the US or other former colonial powers.[20]

For its part, Moscow has sought to portray Peking as an objective ally of Western imperialism whose goal is to bring the non-aligned movement under its control. The Maoists, according to Moscow, are trying 'by hook or by crook' to infiltrate the non-aligned movement, to subjugate it to its aims, and to deprive it of its anti-imperialist character.[21] Soviet commentators emphasize that Peking's main goal is 'to push the non-aligned movement from an anti-imperialist to an anti-Soviet position.'[22] Moreover, as one Soviet writer recently warned, Peking's attempts 'are by no means ineffectual.'[23]

In this competition to win friends and influence among the non-aligned countries of the Third World, each of the two Communist giants has certain advantages and disadvantages. The Chinese model for development has great appeal because China, like many of the countries of the Third World, is a developing country; thus, her problems are more similar to those of many non-aligned countries. The Soviet Union, on the other hand, is perceived by many Third World countries as an industrialized nation whose problems are largely irrelevant to their own—a theme constantly emphasized by Chinese propaganda. Moreover, as a non-white, non-European country, China shares a certain racial and geographic affinity with many of the developing countries within the non-aligned movement.

At the same time, however, precisely because China is a developing country, she has fewer financial resources at her disposal for foreign aid than does the Soviet Union. Thus, she cannot match—and has not matched—Soviet aid to the Third World: though in some cases, such as the Tan-Zam railroad, Chinese aid has been impressive.[24] As a rule, Peking's loans for projects have been labour intensive and oriented towards industry—especially heavy industry. Another aspect of the situation, however, is that China's loans are generally interest-free, while Soviet loans usually carry an interest rate of about 2·5 per cent.

Yet, while the volume of Moscow's aid to nations in the Third World has exceeded Peking's, it has been considerably less than that of the US. Recent Western estimates have placed Soviet aid to developing countries in the range of $1,264 m. to $1,312 m. By way of contrast, US aid

[20] *ibid.* [21] *Tass*, in English, 28 July 1976. [22] Sofinski, *op. cit.*, p. 20.
[23] Kapasov, *op. cit.*
[24] For a good comparison of Soviet and Chinese aid strategies in the Third World, see Jan S. Prybyla, 'The Sino–Soviet Split and the Developing Nations', in Kanet (ed.), *op. cit.*, pp. 265–93. Peking's aid to developing countries in recent years has been about 0·01 per cent of its GNP whereas Moscow's aid is estimated to be between 0·03 per cent and 0·05 per cent of its GNP (*ibid.*, p. 280).

to developing nations in 1975, according to a recent report,[25] was $4,908 m. In addition, whereas Soviet aid to developing countries is estimated to be between 0·03 per cent to 0·05 per cent of the Soviet GNP,[26] US aid to the Third World represents 0·3 per cent of its GNP. Moreover, a number of West European countries such as Holland and Belgium devote an even higher percentage of their GNP to foreign aid.

Soviet aid is basically given on a bilateral basis and multi-lateral aid is practically non-existent. Moscow is not a member of such international organizations as the World Bank, the International Monetary Fund or the United Nations Food and Agricultural Organization. While it does contribute to the UN Development Programme, its contribution is very low. Moreover, the bulk of its contribution is paid in rubles, which are not convertible. Since few of the projects can make use of the ruble deposits, UNDP administrators have tried to persuade Moscow to make at least some of its contributions in convertible currency—but with little success.

One of the main elements of the North–South dialogue has been the question of repayment of debts. In recent years, many non-aligned countries in the Third World have increasingly called for a cancellation of standing debts as a means to ease their economic plight.[27] However, the Soviet Union has been little moved by these demands. Except for Cuba, Moscow has agreed to a rescheduling of debts in only two other cases (Yemen and Somalia in 1974). Recently, in fact, it has refused to reschedule the payments of two of its principal debtors—Egypt and India. In India's case, moreover, it has added insult to injury by revaluing the ruble by more than 30 per cent over the rupee and demanding that this revaluation be applied to unpaid debts.

Despite its attempt to remain aloof from the North–South dialogue, however, Moscow has found itself under growing pressure from the Third World to play a more active role. For instance, the 'Action Programme' of 'Group 77', which was worked out in Manila in February 1976, devoted an entire section to relations with the Communist countries. The Manila Programme made a number of specific requests, including a call for expanding trade, removing discriminatory exports and imports to and from the Third World, and increasing economic and technical assistance to 1 per cent of their GNP. While the Soviet reaction to the programme has been largely negative, the inclusion of a section devoted to relations with the Communist countries suggests that Moscow

[25] *New York Times*, 20 August 1976.

[26] For recent Western estimates of Soviet aid, see Prybyla, *op. cit.*, and Tansky, *op. cit.*

[27] These calls were particularly reflected in the resolutions adopted by the UN General Assembly in 1974. See the 'Declaration on the Establishment of a New International Economic Order', the 'Programme of Action on the Establishment of a New International Economic Order' (1 May 1974) and the 'Charter of Economic Rights and Duties of States' (12 December 1974).

may find it more difficult to divorce itself from the problems of the Third World in the future.[28] If Moscow continues to reject such demands, its own carefully cultivated reputation as the sole true friend of the developing countries must inevitably be tarnished and its position in the Third World weakened. Such a rejection, furthermore, would give greater credibility to China's charges that Moscow's aims are self-serving and would be likely to enhance Peking's attraction for many non-aligned states.

Yet there are also some encouraging signs from Moscow's point of view. The next non-aligned summit is scheduled to be held in Havana in 1979. Cuba is likely to use her position as host as well as her membership on the Non-aligned Co-ordinating Committee (NACC)—the movement's continuing body between summits—to attempt to push the movement towards a stronger 'anti-imperialist' orientation. Such efforts will be facilitated, moreover, by the fact that there are now almost as many radicals on the NACC as moderates. In particular, Cuba can count on strong support from such members as Angola, Algeria, Guinea-Bissau, Iraq and the PLO. This undoubtedly gives Moscow some cause for hope that the relatively moderate tone that characterized Colombo may be replaced by a more militant anti-Western line in 1979.

[28] Stabreit, *op. cit.*

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